U.S. Attestation Standards—AICPA (Clarified) [AT-C]

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AT-C Cross-References to SSAEs

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Part I — Statements on Standards for Attestation Engagements and Sources of Sections in Current Text

Statements on Standards for Attestation Engagements[a]

No.	Date Issued	Title	AT-C Section
18	April 2016	*Attestation Standards: Clarification and Recodification*[1]	
19	December 2019	*Agreed-Upon Procedures Engagements*[2]	215
20	December 2019	*Amendments to the Description of the Concept of Materiality*[3]	
21	October 2020	*Direct Examination Engagements*[4]	205, 206
22	December 2020	*Review Engagements*[5]	210
23	June 2024	*Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*[6]	

[1]SSAE No. 18 created various sections throughout *U.S. Attestation Standards—AICPA (Clarified)*. See the following section, "Sources of Sections in Current Text," for a full list.

[2]SSAE No. 19 has been integrated within paragraphs 105.02–.03, .09–.10, .25, .A2–.A3, .A28, .A35, .A37, .A39, .A41, and.A56.

SSAE No. 19 is effective for agreed-upon procedures reports dated on or after July 15, 2021.

[3]SSAE No. 20 has been integrated within sections 205.A17 and 210.A16.

[4]SSAE No. 21 has been integrated within paragraphs 105.01–.04, .11–.14, .18, .21, .26–.30, .34, .36, .45–.46, .A1, .A7, .A9–.A11, .A13, .A15–.A16, .A20, .A24, .A27–.A32, .A34, .A36–.A45, .A51–.A53, .A56–.A57, .A59, .A61–.A63, .A66, .A72, and .A76.

SSAE No. 21 is effective for practitioners' reports dated on or after June 15, 2022.

[5]SSAE No. 22 is effective for practitioners' reports dated on or after June 15, 2022.

[6]SSAE No. 23 has been integrated within paragraphs 105.08–.09, .11–.12, .25–.27, .29, .31, .35–.57, .65, .A4–.A6, .A17–.A18, .A20, .A37–.A40, .A66–.A74, .A76–.A95, .A98; 205.39–.40, .89, .A13, .A39, .A47, .A127; 210.65, .A12, .A106; 215.21, and .42.

SSAE No. 23 is effective for engagements beginning on or after December 15, 2025.

[a]This table lists Statements on Standards for Attestation Engagements (SSAEs) issued subsequent to SSAE No. 18, *Attestation Standards: Clarification and Recodification*, which was issued in April 2016. Refer to part II, "List of Statement on Standards for Attestation Engagements Nos. 1–17," of this section for SSAEs issued prior to SSAE No. 18.

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Sources of Sections in Current Text

AT-C Section	Contents	Source	Amended By
100	**Common Concepts**		
105	*Concepts Common to All Attestation Engagements*	SSAE No. 18	SSAE Nos. 19, 21, 23
200	**Level of Service**		
205	*Assertion-Based Examination Engagements*	SSAE No. 21	SSAE No. 23
206	*Direct Examination Engagements*	SSAE No. 21	
210	*Review Engagements*	SSAE No. 22	SSAE No. 23
215	*Agreed-Upon Procedures Engagements*	SSAE No. 19	SSAE No. 23
300	**Subject Matter**		
305	*Prospective Financial Information*	SSAE No. 18	
310	*Reporting on Pro Forma Financial Information*	SSAE No. 18	
315	*Compliance Attestation*	SSAE No. 18	
320	*Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*	SSAE No. 18	
395	*Designated for AT Section 701,* Management's Discussion and Analysis	SSAE No. 10[7]	

[7]SSAE No. 18 does not supersede chapter 7, "Management's Discussion and Analysis," of SSAE No. 10, *Attestation Standards: Revision and Recodification*, which is currently codified as AT section 701. The Auditing Standards Board (ASB) has not clarified AT section 701 because practitioners rarely perform attest engagements to report on management's discussion and analysis prepared pursuant to the rules and regulations adopted by the SEC. Therefore, the ASB decided that it would retain AT section 701 in its current unclarified format as AT-C section 395 until further notice.

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Part II — List of Statement on Standards for Attestation Engagements Nos. 1–17

No.	Date Issued	Title
1	Mar. 1986	*Attestation Standards*
1	Dec. 1987	*Attest Services Related to MAS Engagements*
1	Oct. 1985	*Financial Forecasts and Projections*
1	Sept. 1988	*Reporting on Pro Forma Financial Information*
2	May 1993	*Reporting on an Entity's Internal Control Over Financial Reporting*
3	Dec. 1993	*Compliance Attestation*
4	Sept. 1995	*Agreed-Upon Procedures Engagements*
5	Nov. 1995	*Amendment to Statement on Standards for Attestation Engagements No. 1,* Attestation Standards
6	Dec. 1995	*Reporting on an Entity's Internal Control Over Financial Reporting: An Amendment to Statement on Standards for Attestation Engagements No. 2*
7	Oct. 1997	*Establishing an Understanding With the Client*
8	Mar. 1998	*Management's Discussion and Analysis*
9	Jan. 1999	*Amendments to Statement on Standards for Attestation Engagements Nos. 1, 2, and 3*
10	Jan. 2001	*Attestation Standards: Revision and Recodification*
11	Jan. 2002	*Attest Documentation*
12	Sept. 2002	*Amendment to Statement on Standards for Attestation Engagements No. 10,* Attestation Standards: Revision and Recodification
13	Dec. 2005	*Defining Professional Requirements in Statements on Standards for Attestation Engagements*
14	Nov. 2006	*SSAE Hierarchy*
15	Sept. 2008	*An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements*
16	April 2010	*Reporting on Controls at a Service Organization*
17	Dec. 2010	*Reporting on Compiled Prospective Financial Statements When the Practitioner's Independence Is Impaired*

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AT-C Introduction

Foreword

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Authority of the SSAEs

Statements on Standards for Attestation Engagements (SSAEs) are issued by senior committees of the AICPA designated to issue pronouncements on attestation matters. The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct requires an AICPA member (a practitioner) performing an attestation engagement for a nonissuer[1] to comply with AICPA Statements on Standards for Attestation Engagements. A practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. A practitioner also must comply with a presumptively mandatory requirement in all cases in which such requirement is relevant. However, if, in rare circumstances, a practitioner judges it necessary to depart from a relevant presumptively mandatory requirement, the practitioner should perform alternative procedures to achieve the intent of that requirement and must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Exhibits and interpretations to SSAEs are *interpretive publications*, as defined in section 105. Section 105 requires the practitioner to consider applicable interpretive publications in planning and performing the attestation engagement. Interpretive publications are not attestation standards. Interpretive publications are recommendations on the application of the SSAEs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior committee after all members of the applicable committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the SSAEs. Attestation interpretations are included in AT-C sections. AICPA Guides and Attestation Statements of Position are listed in AT-C appendix A, *AICPA Guides and Statements of Position*.

AUDITING STANDARDS BOARD

Halie Creps, *Chair*

Jennifer Burns, Chief Auditor — AICPA

[1]See the definition of the term *nonissuer* in the AU-C Glossary.

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AT-C Preface

Preface to the Attestation Standards

.01 The Statements on Standards for Attestation Engagements (SSAEs or attestation standards) establish requirements and provide application guidance for performing and reporting on examination, review, and agreed-upon procedures engagements (attestation engagements). Examples of subject matter for attestation engagements are 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.

.02 The attestation standards are 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.

.03 The attestation standards are developed and issued in the form of SSAEs and are codified into sections.

Structure of the Attestation Standards

.04 The attestation standards apply to three levels of service—examination, review, and agreed-upon procedures—and can be applied to innumerable types of subject matter. The applicability of specific AT-C sections to an engagement depends on both the level of service provided and the subject matter on which the practitioner is engaged to report.

.05 Section 105, *Concepts Common to All Attestation Engagements*, contains concepts that are relevant to any attestation engagement. The level of service sections are the examination level sections, which include section 205, *Assertion-Based Examination Engagements* and section 206, *Direct Examination Engagements*; section 210, *Review Engagements*; and section 215, *Agreed-Upon Procedures Engagements*.Each of these sections contain additional requirements and application guidance specific to examination, review, or agreed-upon procedures engagements, respectively. Under the attestation standards, the applicable requirements and application guidance for any attestation engagement are contained in at least two sections: section 105 and section 205, 206, 210, or 215, depending on the specific service being provided. In addition, incremental performance and reporting requirements and application guidance unique to specific subject matters, such as prospective financial information or compliance with laws and regulations, are contained in the subject-matter sections. The applicable requirements and application guidance for a subject-matter-specific engagement is contained in three sections: section 105; section 205, 210, or 215, as applicable; and the applicable subject-matter section. Section 206 is not mentioned because section 206 does not permit the performance of a direct examination engagement of the subject matters currently covered by the subject-matter sections.

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

.06 The purpose of an examination or review engagement is to provide users of information with an opinion or conclusion regarding the underlying subject matter, as measured or evaluated against suitable and available criteria. (An examination engagement results in an opinion and a review engagement results in a conclusion. The purpose of an agreed-upon procedures report is to enhance users' confidence in the subject matter by providing findings from procedures performed by the practitioner on underlying subject matter or subject matter information.)

Premise Upon Which an Attestation Engagement is Conducted

.07 An engagement in accordance with the attestation standards is conducted on the premise that the responsible party is responsible for certain matters, including:

- the underlying subject matter (and, if applicable, the preparation and presentation of the subject matter) in accordance with (or based on) the criteria
- in an assertion-based examination engagement and in a review engagement, the subject matter and its assertion about the subject matter;
- in an assertion-based examination engagement and in a review engagement, the subject matter being in accordance with the criteria.

.08 Practitioners are responsible for complying with the relevant 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 (the responsible party). Although a practitioner may assist the responsible party in developing or presenting the subject matter, the responsible party remains responsible for the subject matter. The term *subject matter* includes both underlying subject matter and subject matter information. The terms *underlying subject matter* and *subject matter information* are defined in the glossary.

Responsibilities

.09 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.

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Performance

.10 To express an opinion in an assertion-based 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. In a direct examination, the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. To obtain reasonable assurance, which is a high but not absolute level of assurance, the practitioner

- plans the work and properly supervises other members of the engagement team.
- 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.

.11 To express a conclusion in a review, the practitioner obtains limited assurance about whether any material modification should be made to the subject matter in order for it be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated. 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 other members of the engagement team.
- 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 sufficient appropriate review evidence to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.

.12 To report on the application of agreed-upon procedures, the practitioner performs specific procedures on underlying subject matter or subject matter information and reports the findings without providing an opinion or a conclusion. In an agreed-upon procedures engagement, the practitioner

- plans the work and properly supervises other members of the engagement team.
- performs the specific procedures agreed to and acknowledged by the engaging party to meet the intended purpose of the engagement established with the engaging party and reports on the results of the procedures.

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Reporting

.13 Based on evidence obtained, the practitioner expresses an opinion in an examination, expresses a conclusion in a review, or reports findings in an agreed-upon procedures engagement. In the case of an assertion-based examination, the practitioner's report provides an opinion about whether the subject matter, as measured against the criteria, is in accordance with (or based on) the criteria (or whether the assertion about the subject matter is fairly stated), in all material respects. In a direct examination engagement, the practitioner's report expresses an opinion that conveys the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria. In a review, the report expresses a conclusion about whether, based on the procedures performed, the practitioner is aware of any material modification that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the 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 those procedures.

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AT-C Glossary

Glossary of Terms[1]

Appropriate party. Reference to this term should be read as the *responsible party* or the *engaging party*, as appropriate. Also see **engaging party** and **responsible party**.

Appropriateness of evidence (in the context of section 205, *Examination Engagements*). The measure of the quality of evidence, that is, its relevancy and reliability in providing support for the practitioner's opinion. Also see **evidence**.

Appropriateness of review evidence (in the context of section 210, *Review Engagements*). The measure of the quality of review evidence, that is, its relevancy and reliability in providing support for the practitioner's conclusion. Also see **review evidence**.

Assertion. Any declaration or set of declarations about whether the underlying subject matter or subject matter information is in accordance with (or based on) the criteria. An assertion is subject matter information.

Attestation engagement. An engagement performed under the attestation standards. The following are the four types of attestation engagements:

a. *Assertion-based examination engagement.* An attestation engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the responsible party's measurement or evaluation of the underlying subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner's opinion about whether the subject matter is in accordance with (or based on) the criteria or the responsible party's assertion is fairly stated, in all material respects.

b. *Direct examination engagement.* An attestation engagement in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion.

c. *Review engagement.* An attestation engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate review evidence about the responsible party's measurement or evaluation of the underlying subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter information in order for it be in

[1]This glossary lists terms defined in the "Definitions" sections of the attestation standards as well as certain terms defined or explained in other sections of the attestation standards. Terms defined for purposes of a specific section are denoted as such. Terms may appear in more than one section.

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accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated.

d. *Agreed-upon procedures engagement.* An attestation engagement in which a practitioner performs specific procedures on underlying subject matter or subject matter information and reports the findings without providing an opinion or a conclusion.

Also see **specified party** and **attestation standards**.

Attestation risk. In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter information (or assertion) is materially misstated.

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). Examples of subject matter for attestation engagements are 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 the "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct (AICPA code), which requires an AICPA member who performs an attestation engagement to comply with standards promulgated by bodies designated by AICPA Council. AICPA Council has granted the Auditing Standards Board authority to promulgate the attestation standards, which are 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. Also see **attestation engagement**.

Carve-out method (in the context of section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*). Method of addressing the services provided by a subservice organization, whereby management's description of the service organization's system identifies the nature of the services performed by the subservice organization and excludes from the description and from the scope of the service auditor's engagement the subservice organization's relevant control objectives and related controls.

Complementary subservice organization controls (in the context of section 320). Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by the subservice organizations and are necessary to achieve the control objectives stated in management's description of the service organization's system.

Complementary user entity controls (in the context of section 320). Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by user entities and are necessary to achieve the control objectives stated in management's description of the service organization's system.

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Compliance with specified requirements (in the context of section 315, *Compliance Attestation*). An entity's compliance with specified laws, regulations, rules, contracts, or grants.

Control objectives (in the context of section 320). The aim or purpose of specified controls at the service organization. Control objectives address the risks that controls are intended to mitigate.

Controls at a service organization (in the context of section 320). The policies and procedures at a service organization likely to be relevant to user entities' internal control over financial reporting. These policies and procedures are designed, implemented, and documented by the service organization to provide reasonable assurance about the achievement of the control objectives relevant to the services covered by the service auditor's report.
In the context of section 320, the policies and procedures include aspects of the information and communications component of user entities' internal control maintained by the service organization and control activities related to the information and communications component and may also include aspects of one or more of the other components of internal control at a service organization. For example, the definition of *controls at a service organization* may include aspects of the service organization's control environment, risk assessment, monitoring activities, and control activities when they relate to the services provided. Such definition does not, however, include controls at a service organization that are not related to the achievement of the control objectives stated in management's description of the service organization's system, for example, controls related to the preparation of the service organization's own financial statements.

Criteria. The benchmarks used to measure or evaluate the underlying subject matter.

Criteria for the preparation of pro forma financial information (in the context of section 310, *Reporting on Pro Forma Financial Information*). The basis disclosed in the pro forma financial information that management used to develop the pro forma financial information, including the assumptions underlying the pro forma financial information. Paragraph .11 of section 310 contains the attributes of suitable criteria for an examination or review of pro forma financial information.

Documentation completion date. The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.

Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, review, or agreed-upon procedures engagement; the characteristics of the underlying subject matter; the criteria; the information needs of the intended users; relevant characteristics of the responsible party and, if different, the engaging party and their environment; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.

Engagement documentation. The record of procedures performed, relevant evidence obtained, and, in an examination or review engagement, conclusions reached by the

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practitioner, or in an agreed-upon procedures engagement, findings of the practitioner. (Terms such as *working papers* or *workpapers* are also sometimes used).

Engagement partner. The partner or other individual appointed by the firm who is responsible for the attestation engagement and its performance and for the practitioner's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. *Engagement partner*, *partner*, and *firm* refer to their governmental equivalents when relevant. Also see **firm** and **practitioner**.

Engagement quality review. An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed before the engagement report is released.

Engagement quality reviewer. A partner, other individual in the firm, or an external individual appointed by the firm to perform the engagement quality review.

Engagement team. All partners and staff performing the attestation engagement and any other individuals who perform attestation procedures on the engagement, excluding a practitioner's external specialist and internal auditors who provide direct assistance on an engagement.

Engaging party. The party(ies) that engages the practitioner to perform the attestation engagement. Also see **appropriate party** and **responsible party**.

Entity (in the context of section 305, *Prospective Financial Information*). Any unit, existing or to be formed for which financial statements could be prepared in accordance with generally accepted accounting principles or special purpose frameworks. For example, an entity can be an individual, partnership, corporation, trust, estate, association, or governmental unit.

Evidence. Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based. Also see **appropriateness of evidence** and **sufficiency of evidence**.

Experienced practitioner. An individual (whether internal or external to the firm) who has practical experience in attestation engagements, and a reasonable understanding of

a. attestation processes;

b. requirements in relevant AT-C sections and applicable legal and regulatory requirements;

c. the underlying subject matter;

d. the business environment in which the entity operates; and

e. attestation and reporting issues relevant to the entity's industry.

Financial forecast (in the context of section 305). Prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected

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financial position, results of operations, and cash flows. A financial forecast is based on the responsible party's assumptions reflecting conditions it expects to exist and the course of action it expects to take. A financial forecast may be expressed in specific monetary amounts as a single-point estimate of forecasted results or as a range, when the responsible party selects key assumptions to form a range within which it reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. If a forecast contains a range, the range is not selected in a biased or misleading manner (for example, a range in which one end is significantly less expected than the other).

Financial projection (in the context of section 305). Prospective financial statements that present, to the best of the responsible party's knowledge and belief, given one or more hypothetical assumptions, an entity's expected financial position, results of operations, and cash flows. A financial projection is sometimes prepared to present one or more hypothetical courses of action for evaluation, as in response to a question such as, "What would happen if...?" A financial projection is based on the responsible party's assumptions reflecting conditions it expects would exist and the course of action it expects would be taken, given one or more hypothetical assumptions. A projection, like a forecast, may contain a range.

Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting. Also see **engagement partner** and **practitioner**.

Forecast (in the context of section 305). Used alone, this term means forecasted information, which can be either a full presentation (a financial forecast) or a partial presentation. Also see **financial forecast**.

Fraud. An intentional act involving the use of deception that results in a misstatement in the subject matter or the assertion.

General use. Use of a practitioner's report that is not restricted to specified parties.

General use of prospective financial statements (in the context of section 305). Refers to the use of the statements by persons with whom the responsible party is not negotiating directly, for example, in an offering statement of an entity's debt or equity interests. Also see **limited use of prospective financial statements** and **prospective financial statements**.

Guide (in the context of section 305). The AICPA Guide *Prospective Financial Information*.

Hypothetical assumption (in the context of section 305). An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the projection.

Inclusive method (in the context of section 320). Method of addressing the services provided by a subservice organization whereby management's description of the service organization's system includes a description of the nature of the services provided by the

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subservice organization as well as the subservice organization's relevant control objectives and related controls.

Internal audit function. A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management, and internal control processes.

Internal control over compliance (in the context of section 315). An entity's internal control over compliance with specified requirements. The internal control addressed in section 315 may include part of, but is not the same as, internal control over financial reporting.

Interpretive publications. Interpretations of the Statements on Standards for Attestation Engagements (SSAEs) , exhibits to SSAEs, guidance on attestation engagements included in AICPA Audit and Accounting Guides and AICPA Attestation Statements of Position to the extent that those statements are applicable to such engagements. Also see **other attestation publications**.

Key factors (in the context of section 305). The significant matters on which an entity's future results are expected to depend. Such factors are basic to the entity's operations and, thus, encompass matters that affect, among other things, the entity's sales, production, service, and financing activities. Key factors serve as a foundation for prospective financial information and are the bases for the assumptions.

Limited use of prospective financial statements (in the context of section 305). Refers to the use of prospective financial statements by the responsible party alone or by the responsible party and third parties with whom the responsible party is negotiating directly. Examples include use in negotiations for a bank loan, submission to a regulatory agency, and use solely within the entity. Also see **general use of prospective financial statements** and **prospective financial statements**.

Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls (referred to in the context of section 320 as a *type 1 report*). A service auditor's report that comprises the following:

i. Management's description of the service organization's system

ii. A written assertion by management of the service organization about whether, based on the criteria

    1. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented as of a specified date

    2. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to achieve those control objectives as of the specified date

iii. A service auditor's report that expresses an opinion on the matters in (ii)(1)–(ii)(2)

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Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls (referred to in the context of section 320 as a *type 2 report*). A service auditor's report that comprises the following:

i. Management's description of the service organization's system

ii. A written assertion by management of the service organization about whether, based on the criteria

    1. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period

    2. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives

    3. the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives

iii. A service auditor's report that

    1. expresses an opinion on the matters in (ii)(1)–(ii)(3)

    2. includes a description of the tests of controls and the results thereof

Material noncompliance (in the context of section 315). A failure to follow compliance requirements or a violation of prohibitions included in the specified requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance.

Misstatement. A difference between the measurement or evaluation of the underlying subject matter and the appropriate measurement or evaluation of the underlying subject matter in accordance with (or based on) the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. In certain engagements, a misstatement may be referred to as a *deviation*, *exception*, or *instance of noncompliance*. Also see **risk of material misstatement**.

Modified opinion (in the context of section 205). A qualified opinion, an adverse opinion, or a disclaimer of opinion.

Monitoring of controls(in the context of section 320). A process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis, identifying and reporting deficiencies to appropriate individuals within the service organization, and taking necessary corrective actions.

Network. As defined in "Definitions" (ET sec. 0.400) in the AICPA code, an association of entities that includes one or more firms.

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Network firm. As defined in "Definitions" in the AICPA code, a firm or other entity that belongs to a network.

Noncompliance with laws or regulations. Acts of omission or commission by the entity, either intentional or unintentional, that are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the subject matter or subject matter information) by those charged with governance, management, or employees of the entity.

Nonparticipant party (in the context of section 215, *Agreed-Upon Procedures Engagements*). 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. Also see **specified party**.

Other attestation publications. Publications other than interpretive publications. These include AICPA attestation publications not defined as interpretive publications; attestation articles in the *Journal of Accountancy* and other professional journals; continuing professional education programs and other instructional materials, textbooks, guidebooks, attestation programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals. The practitioner is not expected to be aware of the full body of other attestation publications. Also see **interpretive publications**.

Partial presentation (in the context of section 305). A presentation of prospective financial information that excludes one or more of the applicable items required for prospective financial statements as described in chapter 8, "Presentation Guidelines," of the AICPA Guide *Prospective Financial Information*.

Participating practitioner. A practitioner who performs attestation work related to a portion of the subject matter for purposes of the attestation engagement. A participating practitioner is a part of the engagement team.

Partner. Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner may include an employee with this authority who has not assumed the risks and benefits of ownership. Firms might use different titles to refer to individuals with this authority.

Personnel. Partners and staff in the firm.

Pervasive (in the context of section 205). 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

a. are not confined to specific aspects of the subject matter;

b. if so confined, represent or could represent a substantial proportion of the subject matter; or

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c. in relation to disclosures, are fundamental to the intended users' understanding of the subject matter.

Practitioner. The person or persons conducting the attestation engagement, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. When a section of the attestation standards expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term *engagement partner*, rather than *practitioner*, is used. *Engagement partner* and *firm* are to be read as referring to their governmental equivalents when relevant. Also see **engagement partner** and **firm**.

Practitioner's specialist. An individual or organization possessing expertise in a field other than accounting or attestation, whose work in that field is used by the practitioner to assist the practitioner in obtaining evidence for the service being provided. A practitioner's specialist may be either a practitioner's internal specialist (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external specialist. *Partner* and *firm* refer to their governmental equivalents when relevant.

Presentation guidelines (in the context of section 305). The criteria for the presentation and disclosure of prospective financial information.

Presumptively mandatory requirements. The category of professional requirements with which the practitioner must comply in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph .22 of section 105, *Concepts Common to All Attestation Engagements*. The attestation standards use the word *should* to indicate a presumptively mandatory requirement. Also see **attestation standards** and **unconditional requirements**.

Pro forma financial information (in the context of section 310). A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by attestation and ethical standards in making informed decisions about the courses of action that are appropriate in the circumstances of the attestation engagement.

Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of evidence.

Professional standards. Standards promulgated by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee under the "General Standards Rule" (ET sec. 1.300.001) or the "Compliance With Standards Rule" of the AICPA code, or by other standard-setting bodies that set auditing and attest standards applicable to the engagement being performed and relevant ethical requirements.

Projection (in the context of section 305). This term can refer to either a financial projection or a partial presentation of projected information. Also see **financial projection**.

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Prospective financial information(in the context of section 305). Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.

Prospective financial statements (in the context of section 305). Either financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies. Although prospective financial statements may cover a period that has partially expired, statements for periods that have completely expired are not considered to be prospective financial statements. Pro forma financial statements and partial presentations are not considered to be prospective financial statements. Also see **general use of prospective financial statements** and **limited use prospective financial statements**.

Reasonable assurance. A high but not absolute level of assurance.

Referred-to practitioner. A practitioner who performs a separate attestation engagement over a portion of the subject matter to which the engagement partner determines to make reference in the attestation report on the subject matter. A referred-to practitioner is not a participating practitioner and, accordingly, is not part of the engagement team for the attestation engagement.

Relevant ethical requirements. Principles of professional ethics and ethical requirements to which the engagement team and engagement quality reviewer are subject, which consist of the AICPA code together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.

Report release date. The date on which the practitioner grants the engaging party permission to use the practitioner's report.

Response (in relation to a system of quality management). Policies or procedures designed and implemented by the firm to address one or more quality risks.

- Policies are statements of what should, or should not, be done to address a quality risk or risks. Such statements may be documented, explicitly stated in communications, or implied through actions and decisions.
- Procedures are actions to implement policies.

Responsible party. The party responsible for the underlying subject matter, which is a party other than the practitioner. In an assertion-based examination or review engagement, if the nature of the underlying subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the underlying subject matter may be deemed to be the responsible party. Also see **appropriate party** and **engaging party**.

Review evidence (in the context of section 210). Information used by the practitioner in obtaining limited assurance on which the practitioner's review report is based. Also see **appropriateness of review evidence** and **sufficiency of review evidence**.

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Risk of material misstatement (in the context of section 205). The risk that the subject matter is not in accordance with (or based on) the criteria in all material respects or that the assertion is not fairly stated, in all material respects. Also see **misstatement**.

Service auditor (in the context of section 320). A practitioner who reports on controls at a service organization.

Service organization (in the context of section 320). An organization or segment of an organization that provides services to user entities, which are likely to be relevant to those user entities' internal control over financial reporting.

Service organization's assertion (in the context of section 320). A written assertion about the matters referred to in item ii of the definition of *Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls*, for a type 2 report, and, for a type 1 report, the matters referred to in part (*b*) of the definition of *Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls*.

Service organization's system (in the context of section 320). The policies and procedures designed, implemented, and documented by management of the service organization to provide user entities with the services covered by the service auditor's report. Management's description of the service organization's system identifies the services covered, the period to which the description relates (or in the case of a type 1 report, the date to which the description relates), the control objectives specified by management or an outside party, the party specifying the control objectives (if not specified by management), and the related controls.
In the context of section 320, the policies and procedures refer to the guidelines and activities for providing transaction processing and other services to user entities and include the infrastructure, software, people, and data that support the policies and procedures.

Specified party. The intended user(s) to whom use of the practitioner's written report is limited. Also see **nonparticipant party**.

Staff. Professionals, other than partners, including any specialist the firm employs.

Statements on Standards for Attestation Engagements (SSAEs). See **attestation standards**.

Subject matter. For purposes of applying sections 205, 206, and 210, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as defined in section 105. If only one of these terms is applicable, that term is used.

Subject matter information. The outcome of the measurement or evaluation of the underlying subject matter against criteria. An assertion about whether the underlying subject matter is in accordance with the criteria is a form of subject matter information

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Underlying subject matter. In an examination or review engagement, the phenomenon that is measured or evaluated by applying criteria. In an agreed-upon procedures engagement, the phenomenon upon which procedures are performed.

Subservice organization (in the context of section 320). A service organization used by another service organization to perform some of the services provided to user entities that are likely to be relevant to those user entities' internal control over financial reporting.

Sufficiency of evidence (in the context of section 205). 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. Also see **evidence**.

Sufficiency of review evidence (in the context of section 210). 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 evidence. Also see **review evidence**.

Suitable criteria. Criteria that exhibit all the following characteristics:

- *Relevance*. Criteria are relevant to the subject matter.
- *Objectivity*. Criteria are free from bias.
- *Measurability*. Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- *Completeness*. Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter.

Test of controls (in the context of section 205). A procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements in the subject matter.

Test of controls (in the context of section 320). A procedure designed to evaluate the operating effectiveness of controls in achieving the control objectives stated in management's description of the service organization's system.

Type 1 report. See **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls**.

Type 2 report. See **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls**.

Unconditional requirements. The category of professional requirements with which the practitioner must comply in all cases in which such requirement is relevant. The attestation standards use the word *must* to indicate an unconditional requirement. Also see **attestation standards** and **presumptively mandatory requirements**.

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User auditor (in the context of section 320). An auditor who audits and reports on the financial statements of a user entity.

User entity (in the context of section 320). An entity that uses a service organization for which controls at the service organization are likely to be relevant to that entity's internal control over financial reporting.

Working papers or **workpapers.** See **engagement documentation**.

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AT-C Section 100

COMMON CONCEPTS

The following is a Codification of Statements on Standards for Attestation Engagements (SSAEs) resulting from the Auditing Standards Board's (ASB) project to clarify the SSAEs and related attestation interpretations. SSAEs are issued by senior committees of the AICPA designated to issue pronouncements on attestation matters applicable to the preparation and issuance of attestation reports for entities that are nonissuers.[1] The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct requires an AICPA member performing an attestation engagement for a nonissuer (a practitioner) to comply with standards promulgated by the ASB. A practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. A practitioner also must comply with a presumptively mandatory requirement in all cases in which such requirement is relevant; however, if, in rare circumstances, a practitioner judges it necessary to depart from a relevant presumptively mandatory requirement, the practitioner must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Attestation interpretations are interpretive publications, as defined in section 105, *Concepts Common to All Attestation Engagements*. Section 105 requires the practitioner to consider applicable interpretive publications in planning and performing the attestation engagement. Interpretive publications are not attestation standards. Interpretive publications are recommendations on the application of the SSAEs 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 SSAEs. Attestation interpretations are included in AT-C sections. AICPA Guides and Attestation Statements of Position are listed in AT-C appendix A, "AICPA Guides and Statements of Position."

[1]See the definition of the term *nonissuer* in the AU-C Glossary. [Footnote added, February 2017, to better reflect the AICPA Council Resolution designating the PCAOB to promulgate technical standards.]

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AT-C Section 105

Concepts Common to All Attestation Engagements

Source: SSAE No. 18; SSAE No. 19; SSAE No. 21; SSAE No. 23.

Effective for practitioners' reports dated on or after May 1, 2017, unless otherwise indicated.

Introduction

.01 This section applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner's

- assertion-based examination report in accordance with section 205, *Assertion-Based Examination Engagements*,
- direct examination report in accordance with section 206, *Direct Examination Engagements*,
- review report in accordance with section 210, *Review Engagements*, or
- agreed-upon procedures report in accordance with section 215, *Agreed-Upon Procedures Engagements*.

In this section, when the term *examination* is used, it is inclusive of both assertion-based and direct examination engagements.

In all attestation engagements, the underlying subject matter is the responsibility of a party other than the practitioner. (Ref: par. .A1) [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Examination and Review Engagements

.02 Examination and review engagements include the following:

a. Assertion-based examination engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria and provides an assertion about the outcome of the measurement or evaluation, and the practitioner expresses an opinion in a written report about whether the underlying subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects.

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b. Direct examination engagements, in which the practitioner measures or evaluates the underlying subject matter against the criteria and performs other procedures to obtain sufficient appropriate evidence to express an opinion in a written report that conveys the results of that measurement or evaluation. The responsible party does not provide an assertion about the results of the measurement or evaluation of the underlying subject matter against the criteria.

c. Review engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria and provides an assertion about the outcome of the measurement or evaluation, and the practitioner expresses a conclusion in a written report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the responsible party's assertion in order for it to be fairly stated.

[Paragraph added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.03 The practitioner's objective in both an assertion-based examination engagement and a direct examination engagement is to obtain reasonable assurance. Section 205 contains requirements and application material for assertion-based examination engagements. Section 206 contains requirements and application material for direct examination engagements. [Paragraph added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.04 An assertion-based examination engagement and a review engagement are predicated on the concept that a party other than the practitioner makes an assertion about whether the underlying subject matter is measured or evaluated in accordance with suitable criteria. Section 205 and section 210 require the practitioner to request such an assertion in writing when performing an assertion-based examination engagement or a review engagement.[1] In assertion-based examination engagements and review engagements, when the engaging party is the responsible party, the responsible party's refusal to provide a written assertion requires the practitioner to withdraw from the engagement when withdrawal is possible under applicable laws and regulations.[2] In assertion-based examination engagements and review engagements, when the engaging party is not the responsible party and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement but is required to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party.[3,4] The purpose of an examination or review engagement is to provide users of information with an opinion or conclusion regarding the underlying subject matter, as measured or evaluated against

[1]Paragraph .10 of section 205, *Assertion-Based Examination Engagements*, and paragraph .11 of section 210, *Review Engagements*. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

[2]Paragraph .84 of section 205 and paragraph .59 of section 210.

[3]Paragraph .86 of section 205 and paragraph .60 of section 210.

[4][Footnote deleted by the issuance of SSAE No. 19, December 2019.]

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suitable and available criteria. An examination engagement results in an opinion, and a review engagement results in a conclusion. The purpose of an agreed-upon procedures engagement is to provide users of information with the results of procedures performed by the practitioner on underlying subject matter or subject matter information. An agreed-upon procedures engagement results in findings. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.05 This section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A2)

a. Statements on Auditing Standards,

b. Statements on Standards for Accounting and Review Services

c. Statements on Standards for Tax Services, or

d. Statements on Standards for Consulting Services, including litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact. (Ref: par. .A3)

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.06 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. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Compliance With the Attestation Standards

.07 The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct (AICPA code) requires members who perform professional services to comply with standards promulgated by bodies designated by the Council of the AICPA. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Relationship of Attestation Standards to Quality Management Standards

.08 Quality management systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QM section 10, *A Firm's System of Quality Management*, the objective of the firm is to design, implement, and operate a system of quality management for engagements performed in its accounting and auditing practice that provides the firm with reasonable assurance that (Ref: par. .A4–.A6)

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a. the firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements, and

b. engagement reports issued by the firm are appropriate in the circumstances.[5]

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.09 Quality management standards relate to the firm's system of quality management for engagements performed by the firm in its accounting and auditing practice, which includes the firm's attestation practice as a whole. Thus, attestation standards and quality management standards are related, and the quality management policies and procedures that the firm establishes may affect both the conduct of individual attestation engagements and the firm's system of quality management related to its attestation practice as a whole. However, deficiencies in the firm's system of quality management or instances of noncompliance with the firm's policies and procedures established in accordance with QM section 10 do not, in and of themselves, indicate that a particular engagement was not conducted in accordance with the attestation standards. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Effective Date

.10 This section is effective for practitioners' reports dated on or after May 1, 2017. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Objectives

.11 In conducting an attestation engagement, the overall objectives of the practitioner are as follows:

a. Apply the requirements relevant to the attestation engagement

b. Report on the underlying subject matter or subject matter information (or assertion) and communicate as required by the applicable AT-C section, in accordance with the results of the practitioner's procedures

c. Implement quality management responses 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

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

[5]Paragraph .15 of QM section 10, *A Firm's System of Quality Management*. [As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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Definitions

.12 For purposes of the attestation standards, the following terms have the meanings attributed as follows:

Assertion. Any declaration or set of declarations about whether the underlying subject matter or subject matter information is in accordance with (or based on) the criteria. An assertion is subject matter information.

Attestation engagement. An engagement performed under the attestation standards. The following are the four types of attestation engagements:

a. **Assertion-based examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the responsible party's measurement or evaluation of the underlying subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner's opinion about whether the subject matter is in accordance with (or based on) the criteria or the responsible party's assertion is fairly stated, in all material respects. (Ref: par. .A7)

b. **Direct examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion. (Ref: par. .A7)

c. **Review engagement.** An attestation engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate review evidence about the responsible party's measurement or evaluation of underlying subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter information in order for it be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. (Ref: par. .A8)

d. **Agreed-upon procedures engagement.** An attestation engagement in which a practitioner performs specific procedures on underlying subject matter or subject matter information or an assertion and reports the findings without providing an opinion or a conclusion.

Attestation risk. In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter information (or assertion) is materially misstated. (Ref: par. .A9–.A15)

Criteria. The benchmarks used to measure or evaluate the underlying subject matter. (Ref: par. .A16)

Documentation completion date. The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.

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Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, review, or agreed-upon procedures engagement; the characteristics of the underlying subject matter; the criteria; the information needs of the intended users; relevant characteristics of the responsible party and, if different, the engaging party and their environment; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.

Engagement documentation. The record of procedures performed, relevant evidence obtained, and, in an examination or review engagement, conclusions reached by the practitioner, or in an agreed-upon procedures engagement, findings of the practitioner. (Terms such as *working papers* or *workpapers* are also sometimes used).

Engagement partner. The partner or other individual appointed by the firm who is responsible for the attestation engagement and its performance and for the practitioner's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. *Engagement partner*, *partner*, and *firm* refer to their governmental equivalents when relevant. (Ref: par. .A17)

Engagement quality review. An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed before the engagement report is released.

Engagement quality reviewer. A partner, other individual in the firm, or an external individual appointed by the firm to perform the engagement quality review. (Ref: par. .A18)

Engagement team. All partners and staff performing the attestation engagement and any other individuals who perform attestation procedures on the engagement, excluding a practitioner's external specialist and internal auditors who provide direct assistance on an engagement. (Ref: par. .A18)

Engaging party. The party that engages the practitioner to perform the attestation engagement. (Ref: par. .A19)

Evidence. Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based.

Experienced practitioner. An individual (whether internal or external to the firm) who has practical experience in attestation engagements, and a reasonable understanding of

a. attestation processes;

b. requirements in relevant AT-C sections and applicable legal and regulatory requirements;

c. the underlying subject matter;

d. the business environment in which the entity operates; and

e. attestation and reporting issues relevant to the entity's industry.

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Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting. (Ref: par. .A20)

Fraud. An intentional act involving the use of deception that results in a misstatement in the subject matter or the assertion.

General use. Use of a practitioner's report that is not restricted to specified parties.

Internal audit function. A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management, and internal control processes.

Interpretative publications. Interpretations of the Statements on Standards for Attestation Engagements (SSAEs), exhibits to SSAEs, guidance on attestation engagements included in AICPA Audit and Accounting Guides, and AICPA attestation Statements of Position, to the extent that those statements are applicable to such engagements.

Misstatement. A difference between the measurement or evaluation of the underlying subject matter and the appropriate measurement or evaluation of the underlying subject matter in accordance with (or based on) the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. In certain engagements, a misstatement may be referred to as a *deviation*, *exception*, or *instance of noncompliance*.

Network. As defined in "Definitions" (ET sec. 0.400) in the AICPA code, an association of entities that includes one or more firms. (Ref: par. .A20)

Network firm. As defined in "Definitions" in the the AICPA code, a firm or other entity that belongs to a network. References to a *network firm* are to be read hereafter as "another firm or entity that belongs to the same network as the firm." (Ref: par. .A20)

Noncompliance with laws or regulations. Acts of omission or commission by the entity, either intentional or unintentional, that are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the underlying subject matter or subject matter information) by those charged with governance, management, or employees of the entity.

Other attestation publications. Publications other than interpretive publications. These include AICPA attestation publications not defined as interpretive publications; attestation articles in the *Journal of Accountancy* and other professional journals; continuing professional education programs and other instructional materials, textbooks, guidebooks, attestation programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals.

Participating practitioner. A practitioner who performs attestation work related to a portion of the subject matter for purposes of the attestation engagement. A participating practitioner is a part of the engagement team.

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Partner. Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, *partner* may include an employee with this authority who has not assumed the risks and benefits of ownership. Firms might use different titles to refer to individuals with this authority.

Personnel. Partners and staff in the firm.

Practitioner. The person or persons conducting the attestation engagement, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. When an AT-C section expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term *engagement partner*, rather than *practitioner*, is used. *Engagement partner* and *firm* are to be read as referring to their governmental equivalents when relevant.

Practitioner's specialist. An individual or organization possessing expertise in a field other than accounting or attestation, whose work in that field is used by the practitioner to assist the practitioner in obtaining evidence for the service being provided. A practitioner's specialist may be either a practitioner's internal specialist (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external specialist. *Partner* and *firm* refer to their governmental equivalents when relevant.

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by attestation and ethical standards in making informed decisions about the courses of action that are appropriate in the circumstances of the attestation engagement.

Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of evidence.

Professional standards. Standards promulgated by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee under the "General Standards Rule" (ET sec. 1.300.001) or the "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA code, or by other standard-setting bodies that set auditing and attest standards applicable to the engagement being performed and relevant ethical requirements.

Reasonable assurance. A high, but not absolute, level of assurance.

Referred-to practitioner. A practitioner who performs a separate attestation engagement over a portion of the subject matter to which the engagement partner determines to make reference in the attestation report on the subject matter. A referred-to practitioner is not a participating practitioner and, accordingly, is not part of the engagement team for the attestation engagement.

Relevant ethical requirements. Principles of professional ethics and ethical requirements to which the engagement team and engagement quality reviewer are subject, which consist of the AICPA code together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.

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Report release date. The date on which the practitioner grants the engaging party permission to use the practitioner's report.

Response (in relation to a system of quality management). Policies or procedures designed and implemented by the firm to address one or more quality risks.

- Policies are statements of what should, or should not, be done to address a quality risk or risks. Such statements may be documented, explicitly stated in communications, or implied through actions and decisions.
- Procedures are actions to implement policies.

Responsible party. The party responsible for the underlying subject matter, which is a party other than the practitioner. In an assertion-based examination or review engagement, if the nature of the underlying subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the underlying subject matter may be deemed to be the responsible party.

Specified party. The intended user(s) to whom use of the written practitioner's report is limited.

Staff. Professionals, other than partners, including any specialist the firm employs.

Subject matter information. The outcome of the measurement or evaluation of the underlying subject matter against criteria. An assertion about whether the underlying subject matter is in accordance with the criteria is a form of subject matter information.

Underlying subject matter.[a] In an examination or review engagement, the phenomenon that is measured or evaluated by applying criteria. In an agreed-upon procedures engagement, the phenomenon upon which procedures are performed.

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.13 For the purposes of the attestation standards, references to appropriate party should be read hereafter as the responsible party or the engaging party, as appropriate. (Ref: par. .A21) [Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

[a]Prior to the issuance of SSAE No. 21, "the phenomenon that is measured or evaluated by applying criteria" was the definition of *subject matter*. [Footnote added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

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Requirements

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

Complying With AT-C Sections That Are Relevant to the Engagement

.14 When performing an attestation engagement, the practitioner should comply with

- this section;
- sections 205, 206, 210, or 215, as applicable; and
- any subject-matter AT-C section relevant to the engagement when the AT-C section is in effect and the circumstances addressed by the AT-C section exist.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.15 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the requirements of this section and all other AT-C sections relevant to the engagement. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.16 Reports issued by a practitioner in connection with services performed under other professional standards should be written to be clearly distinguishable from and not confused with reports issued under the attestation standards. (Ref: par. .A22–.A23) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Text of an AT-C Section

.17 The practitioner should have an understanding of the entire text of each AT-C section that is relevant to the engagement being performed, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. .A24–.A29) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Complying With Relevant Requirements

.18 Subject to paragraph .22, the practitioner should comply with each requirement of the AT-C sections that is relevant to the engagement being performed, including any relevant subject-matter AT-C section, unless, in the circumstances of the engagement,

a. the entire AT-C section is not relevant, or

b. the requirement is not relevant because it is conditional, and the condition does not exist.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

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.19 When a practitioner undertakes an attestation engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules, and regulations, the practitioner should comply with those governmental requirements as well as the applicable AT-C sections. (Ref: par. .A30) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Practitioner's Report Prescribed by Law or Regulation

.20 If the practitioner is required by law or regulation to use a specific layout, form, or wording of the practitioner's report and the prescribed form of report is not acceptable or would cause a practitioner to make a statement that the practitioner has no basis to make, the practitioner should reword the prescribed form of report or attach an appropriately worded separate practitioner's report. (Ref: par. .A31) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Defining Professional Requirements in the Attestation Standards

.21 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:

- *Unconditional requirements*. The practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. The attestation standards use the word *must* to indicate an unconditional requirement.
- *Presumptively mandatory requirements*. The practitioner must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph .22. The attestation standards use the word *should* to indicate a presumptively mandatory requirement.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Departure From a Relevant Requirement

.22 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. .A32) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Interpretive Publications

.23 The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. .A33) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

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Other Attestation Publications

.24 In applying the attestation guidance included in an other attestation publication, the practitioner should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the attestation engagement. (Ref: par. .A34–.A36) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Acceptance and Continuance

.25 The engagement partner should determine that the firm's policies or procedures for the acceptance and continuance of client relationships and attestation engagements have been followed and that conclusions reached in this regard are appropriate. (Ref: par. .A37–.A38) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.26 The engagement partner should take into account information obtained in the acceptance and continuance process in planning and performing the attestation engagement in accordance with the attestation standards and complying with the requirements of this section. (Ref: par. .A39) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.27 If the engagement team becomes aware of information that may have caused the firm to decline the attestation engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement partner should communicate that information promptly to the firm so that the firm and the engagement partner can take the necessary action. (Ref: par. .A40) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.28 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. (Ref: par. .A41) [Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.29 In order to establish that the preconditions for an attestation engagement are present, the practitioner should, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party, determine the following:

a. Whether the responsible party is a party other than the practitioner and takes responsibility for the underlying subject matter. (Ref: par. .A42–.A44)

b. Whether the engagement exhibits all of the following characteristics:

    i. The underlying subject matter is appropriate. (Ref: par. .A45–.A50)

    ii. In an examination or review engagement, the criteria to be applied in the preparation and evaluation of the underlying subject matter are suitable and will be available to the intended users. (Ref: par. .A51–.A61)

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iii. The practitioner expects to be able to obtain the evidence needed to support the practitioner's opinion, conclusion, or findings, including (Ref: par. .A62–.A63)

1. access to all information of which the appropriate party is aware that is relevant to the engagement;

2. access to additional information that the practitioner may request from the appropriate party for the purpose of the engagement; and

3. unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence.

iv. The practitioner's opinion, conclusion, or findings, in the form appropriate to the engagement, is to be contained in a written practitioner's report.

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.30 If the preconditions in paragraphs .28–.29 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Preconditions for an Attestation Engagement

.31 The practitioner should accept an attestation engagement only when the practitioner

a. has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;

b. has determined that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph .37*b*);

c. has determined that the engagement to be performed meets all the preconditions for an attestation engagement (see also paragraphs .28–.29); and

d. has reached a common understanding with the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.32 If it is discovered after the engagement has been accepted that one or more of the preconditions for an attestation engagement is not present, the practitioner should discuss the matter with the appropriate party and should determine

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a. whether the matter can be resolved;

b. whether it is appropriate to continue with the engagement; and

c. if the matter cannot be resolved but it is still appropriate to continue with the engagement, whether to communicate the matter in the practitioner's report, and if the matter is to be communicated in the practitioner's report, how to do so.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Acceptance of a Change in the Terms of the Engagement

.33 The practitioner should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists. If a change in the terms of the engagement is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. .A64–.A65) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.34 If the practitioner concludes, based on the practitioner's professional judgment, that there is reasonable justification to change the terms of the engagement from the original level of service that the practitioner was engaged to perform to a lower level of service, for example, from an examination to a review, and if the practitioner complies with the AT-C sections applicable to the lower level of service, the practitioner should issue an appropriate practitioner's report on the lower level of service. The report should not include reference to (*a*) the original engagement, (*b*) any procedures that may have been performed, or (*c*) scope limitations that resulted in the changed engagement. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Participating Practitioners and Referred-to Practitioners

.35 When the practitioner expects to use the work of a participating practitioner, the practitioner should (Ref: par. .A66–.A70)

a. confirm whether the participating practitioner understands and will comply with relevant ethical requirements, including those related to independence, that apply to the engagement.

b. determine that the participating practitioner has appropriate professional competence and capabilities.

c. communicate clearly with the participating practitioner about the participating practitioner's responsibilities and the practitioner's expectations, including the scope and timing of the participating practitioner's work and the matters expected to be communicated by the participating practitioner that are relevant to the practitioner in forming the practitioner's opinion or conclusion or in presenting findings.

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d. determine that the participating practitioner has sufficient time to perform assigned work.

e. be sufficiently and appropriately involved, through direction, supervision, and review, in the work of the participating practitioner.

f. evaluate whether the participating practitioner's work is adequate for the practitioner's purposes.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.36 When the practitioner determines to make reference to the report of a referred-to practitioner, the engagement partner should take responsibility for (Ref: par. .A66 and .A71–.A72 and .A86)

a. confirming whether the referred-to practitioner understands and will comply with the ethical requirements that are relevant to the engagement, including those related to independence.

b. determining that the referred-to practitioner has the appropriate professional competence and capabilities.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Quality Management

Engagement Resources

.37 The engagement partner should determine that

a. sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the attestation engagement, the firm's policies or procedures, and any changes that may arise during the engagement. (Ref: par. .A73–.A74)

b. members of the engagement team, and any practitioner's external specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have the appropriate competence, including knowledge of the underlying subject matter and criteria, and capabilities, including sufficient time to perform the engagement. (Ref: par. .A75–.A78)

c. the nature, timing, and extent of direction, supervision, and review are

   i. planned and performed in accordance with the firm's policies or procedures, professional standards, and applicable legal and regulatory requirements, and

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ii. responsive to the nature and circumstances of the attestation engagement and the resources assigned or made available to the engagement team by the firm.

d. with respect to consultation,

i. members of the engagement team have undertaken appropriate consultation on the matters specified in paragraph .41*c* during the attestation engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm.

ii. the nature and scope of, and conclusions resulting from, such consultations are agreed with the party consulted.

iii. conclusions agreed have been implemented.

e. those involved in the engagement have been informed of their responsibilities, including the objectives of the procedures they are to perform and matters that may affect the nature, timing, and extent of such procedures.

f. engagement team members have been directed to bring to the engagement partner's attention significant questions raised during the engagement so that their significance may be assessed.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.38 If, as a result of complying with the requirements in paragraph .37*a*–*b*, the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the attestation engagement, the engagement partner should take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: par. .A79–.A80) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.39 The engagement partner should take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the attestation engagement. (Ref: par. .A81) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Leadership Responsibilities for Managing and Achieving Quality on Attestation Engagements

.40 The engagement partner should have the appropriate competence and capabilities, including in the underlying subject matter, sufficient to take responsibility for the conclusions reached or findings reported on the engagement. (Ref: par. .A82–.A84) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.41 The engagement partner should take responsibility for the following: (Ref: par. .A81 and .A85)

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a. The overall management and achievement of quality on the attestation engagement, including taking responsibility for creating an environment for the engagement that emphasizes the firm's culture and expected behavior of engagement team members. In doing so, the engagement partner should be sufficiently and appropriately involved throughout the attestation engagement such that the engagement partner has the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement. If the engagement partner assigns the design or performance of procedures, tasks, or actions related to a requirement of this section to other members of the engagement team to assist the engagement partner in complying with the requirements of this section, the engagement partner should continue to take overall responsibility for managing and achieving quality on the attestation engagement through direction and supervision of those members of the engagement team and review of their work.

b. The direction and supervision of the members of the engagement team and the review of their work. (Ref: par. .A86)

c. The engagement team undertaking consultation on (Ref: par. .A87)

    i. difficult or contentious matters and matters on which the firm's policies or procedures require consultation and

    ii. other matters that, in the engagement partner's professional judgment, require consultation.

d. Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner's objectives and that the engagement was performed in accordance with the attestation standards and relevant legal and regulatory requirements.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.42 In creating the environment described in paragraph .41*a*, the engagement partner should take responsibility for clear, consistent, and effective actions being taken that reflect the firm's commitment to quality and establish and communicate the expected behavior of engagement team members, including emphasizing the following: (Ref: par. .A81)

a. That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level

b. The importance of professional ethics, values, and attitudes to the members of the engagement team

c. The importance of open and robust communication within the engagement team and supporting the ability of engagement team members to raise concerns without fear of reprisal

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d. The importance of each engagement team member maintaining professional skepticism throughout the engagement

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.43 In an examination or review engagement, the engagement partner should review engagement documentation at appropriate points in time during the engagement, including documentation relating to

a. significant matters;

b. significant judgments, including those relating to difficult or contentious matters identified during the engagement, and the conclusions reached; and

c. other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.44 On or before the date of the practitioner's report, the engagement partner should determine, through review of engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the conclusions reached in an examination or review engagement or findings reported in an agreed-upon procedures engagement and for the practitioner's report to be issued. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.45 Prior to dating the practitioner's report, the engagement partner should review the subject matter information and the practitioner's report to determine that the report to be issued will be appropriate in the circumstances. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.46 The engagement partner should review, prior to their issuance, formal written communications to management, those charged with governance, or regulatory authorities. (Ref: par. .A88) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Differences of Opinion

.47 If differences of opinion arise within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, including those who provide consultation, the engagement team should follow the firm's policies or procedures for dealing with and resolving such differences of opinion. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.48 The engagement partner should (Ref: par. .A81)

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a. take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures.

b. determine that conclusions reached are documented and implemented.

c. not date the practitioner's report until any differences of opinion are resolved.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Compliance With Relevant Ethical Requirements

.49 The engagement partner should have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the attestation engagement. (Ref: par. .A89 and .A94) [Paragraph renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.50 The engagement partner should take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the attestation engagement, and the firm's related policies or procedures, including those that address the following: (Ref: par. .A81 and .A90–.A91)

a. Identifying, evaluating, and addressing threats to compliance with relevant ethical requirements, including those related to independence

b. Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches

c. The responsibilities of members of the engagement team when they become aware of an instance of noncompliance with laws and regulations by the entity

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.51 If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement partner should evaluate the threats by complying with the firm's policies or procedures, using relevant information from the firm, the engagement team, or other sources, and take appropriate action. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.52 The engagement partner should remain alert throughout the attestation engagement, through observation and making inquiries as necessary, for breaches of relevant ethical requirements or the firm's related policies or procedures by members of the engagement team. (Ref: par. .A92) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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.53 If matters come to the engagement partner's attention through the firm's system of quality management, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the engagement have not been fulfilled, the engagement partner, in consultation with others in the firm, should take appropriate action. (Ref: par. .A93) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.54 Prior to dating the practitioner's report, the engagement partner should take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled. (Ref: par. .A81) [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Monitoring and Remediation

.55 The engagement partner should take responsibility for the following: (Ref: par. .A81 and .A95)

a. Obtaining an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, the information from the monitoring and remediation process of the network and across the network firms

b. Determining the relevance and effect on the attestation engagement of the information referred to in paragraph .55*a* and taking appropriate action

c. Remaining alert throughout the attestation engagement for information that may be relevant to the firm's monitoring and remediation process and communicating such information to those responsible for the process

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Taking Overall Responsibility for Managing and Achieving Quality

.56 Prior to dating the practitioner's report, the engagement partner should determine that the engagement partner has taken overall responsibility for managing and achieving quality on the attestation engagement. In doing so, the engagement partner should determine that

a. the engagement partner's involvement has been sufficient and appropriate throughout the attestation engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement.

b. the nature and circumstances of the attestation engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of this section.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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Engagement Documentation

.57 The practitioner should prepare engagement documentation on a timely basis that is sufficient to enable an experienced practitioner, having no previous connection to the engagement to understand (Ref: par. .A96)

a. the procedures performed and results obtained and,

b. in an examination or review engagement, the significant professional judgments made in reaching conclusions on significant matters arising during the engagement.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.58 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. .A97) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.59 After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.60 If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the documentation completion date, the practitioner should, regardless of the nature of the amendments or additions, document

a. the specific reasons for making the amendments or additions and

b. when, and by whom, they were made and reviewed.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.61 Engagement documentation is the property of the practitioner, and some jurisdictions recognize this right of ownership in their statutes. The practitioner should adopt reasonable procedures to retain engagement documentation for a period of time sufficient to meet the needs of the practitioner and to satisfy any applicable legal or regulatory requirements for records retention. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.62 Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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.63 The practitioner also should adopt reasonable procedures to prevent unauthorized access to engagement documentation. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.64 If, in rare circumstances, the practitioner judges it necessary to depart from a relevant, presumptively mandatory requirement, the practitioner must 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 .22.) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Engagement Quality Review

.65 For those attestation engagements for which an engagement quality review is required, the engagement partner should (Ref: par. .A98)

a. determine that an engagement quality reviewer has been appointed.

b. cooperate with the engagement quality reviewer and inform other members of the engagement team of their responsibility to do so.

c. discuss significant matters and significant judgments arising during the attestation engagement, including those identified during the engagement quality review, with the engagement quality reviewer.

d. not release the practitioner's report until completion of the engagement quality review.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Professional Skepticism and Professional Judgment

Professional Skepticism

.66 The practitioner should maintain professional skepticism while planning and performing an attestation engagement. (Ref: par. .A99–.A101) [Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.67 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. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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Professional Judgment

.68 The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. .A102–.A107) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Application and Other Explanatory Material

Introduction (Ref: par. .01 and .05)

.A1 An attestation engagement may address a variety of conditions or events, including the following:

a. Historical or prospective performance or condition, for example, historical or prospective financial information, performance measurements, and backlog data

b. Physical characteristics, for example, narrative descriptions or square footage of facilities

c. Historical events, for example, the price of a market basket of goods on a certain date

d. Analyses, for example, break-even analyses

e. Systems and processes, for example, internal control

f. Behavior, for example, corporate governance, compliance with laws and regulations, and human resource practices

g. Environmental, social, and governance information, for example, greenhouse gas emissions or diversity in employment

The measurement or evaluation of such conditions or events may be as of a point in time or for a period of time. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A2 Because performance audits performed pursuant to *Government Auditing Standards* do not require a practitioner's examination, review, or agreed-upon procedures report as described in this section, this section does not apply to performance audits unless the practitioner engaged to conduct a performance audit is also engaged to conduct an AICPA attestation engagement or issues such an examination, review, or agreed-upon procedures report. [Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

.A3 Examples of litigation services include the following circumstances:

a. The service comprises being an expert witness.

b. The service comprises being a trier of fact or acting on behalf of one.

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c. The practitioner's work under the rules of the proceedings is subject to detailed analysis and challenge by each party to the dispute.

d. The practitioner is engaged by an attorney to do work that will be protected by the attorney's work product or attorney-client privilege, and such work is not intended to be used for other purposes.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

Relationship of Attestation Standards to Quality Management Standards (Ref: par. .08)

.A4 The nature and extent of a firm's quality management 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. [As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A5 Within the context of the firm's system of quality management, engagement teams have a responsibility to implement quality management procedures that are applicable to the attestation engagement and provide the firm with relevant information to enable the functioning of that part of the firm's quality management relating to independence. [As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A6 Engagement teams are entitled to rely on the firm's system of quality management, unless the engagement partner determines that it is inappropriate to do so based on information provided by the firm or other parties. [As amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Definitions

Assertion-Based and Direct Examination Engagements (Ref: par. .12)

.A7 The practitioner obtains the same level of assurance in an assertion-based and direct examination engagement as the practitioner does in a financial statement audit. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Review Engagement (Ref: par. .12)

.A8 The practitioner obtains the same level of assurance in a review engagement as the practitioner does in a review of financial statements.

Attestation Risk (Ref: par. .12)

.A9 Attestation risk does not refer to the practitioner's business risks, such as loss from litigation, adverse publicity, or other events arising in connection with the underlying

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subject matter or subject matter information (or assertion) reported on. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A10 In general, attestation risk can be represented by the following components, although not all of these components will necessarily be present or significant for all engagements:

a. Risks that the practitioner does not directly influence, which consist of
    i. the susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk) and
    ii. the risk that a material misstatement that could occur in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the appropriate party's internal control (control risk)

b. Risk that the practitioner does directly influence, which consists of the risk that the procedures to be performed by the practitioner will not detect a material misstatement (detection risk)

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A11 The degree to which each of these components of attestation risk is relevant to the engagement is affected by the engagement circumstances, in particular

- the nature of the underlying subject matter or subject matter information. (For example, the concept of control risk may be more useful when the underlying subject matter or subject matter information relates to the preparation of information about an entity's performance than when it relates to information about the existence of a physical condition.)
- the type of engagement being performed. (For example, in a review engagement, the practitioner may often decide to obtain evidence by means other than tests of controls, in which case, consideration of control risk may be less relevant than in an examination engagement on the same subject matter information [or assertion.])

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A12 The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

.A13 In an examination engagement, the practitioner reduces attestation risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's opinion. Reducing attestation risk to zero is not contemplated in an examination engagement and, therefore, reasonable assurance is less than absolute assurance as a result of factors such as the following:

- The use of selective testing

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- The inherent limitations of internal control
- The fact that much of the evidence available to the practitioner is persuasive, rather than conclusive
- The exercise of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence
- In some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A14 In a review engagement, attestation risk is greater than it is in an examination engagement. 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.

.A15 Attestation risk is not applicable to an agreed-upon procedures engagement because in such engagements, the practitioner performs specific procedures on underlying subject matter or subject matter information and reports the findings without providing an opinion or conclusion. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Criteria (Ref: par. .12)

.A16 Suitable criteria are required for reasonably consistent measurement or evaluation of underlying 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 underlying 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 underlying 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. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Engagement Partner (Ref: par. .12)

.A17 Practitioners are subject to appendix B to the AICPA Code of Professional Conduct, "Council Resolution Concerning the Form of Organization and Name Rule," which states that there must be a CPA who has ultimate responsibility for all engagements performed in accordance with SSAEs and non-CPA owners could not assume ultimate responsibility for any such engagements. Law or regulation may include additional requirements. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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Engagement Team (Ref: par. .12)

.A18 If the attestation engagement is subject to an engagement quality review, the engagement quality reviewer, and any other individuals performing the engagement quality review, are not members of the engagement team. Such individuals, however, are subject to the same relevant ethical requirements as members of the engagement team, including independence. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Engaging Party (Ref: par. .12)

.A19 The engaging party, depending on the circumstances, may be management or those charged with governance of the responsible party, a governmental body or agency, the intended users, or another third party. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Firm, Network, and Network Firm (Ref: par. .12)

.A20 The definitions of *firm*, *network*, or *network firm* in relevant ethical requirements may differ from those set out in this section. The AICPA code also provides guidance in relation to the terms *network* and *network firm*. Networks and other network firms may be structured in a variety of ways and are, in all cases, external to the firm. The provisions in this section in relation to networks also apply to any structures or organizations that do not form part of the firm but that exist within the network. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Appropriate Party(ies) (Ref: par. .13)

.A21 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. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

Complying With AT-C Sections That Are Relevant to the Engagement (Ref: par. .16)

.A22 A practitioner's report that merely excludes the phrase "was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants" but is otherwise similar to a practitioner's examination, review, or agreed-upon procedures attestation report is an example of a practitioner's report that is not clearly distinguishable from, and could be confused with, a report issued under the attestation standards. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

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.A23 Paragraph .16 does not prohibit combining reports issued by a practitioner under the attestation standards with reports issued under other professional standards. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Text of an AT-C Section (Ref: par. .17)

.A24 The AT-C sections contain the objectives of the practitioner and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the section, and definitions. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A25 Introductory material may include, as needed, such matters as an explanation of the following:

- The purpose and scope of the AT-C section, including how the AT-C section relates to other AT-C sections
- The subject matter of the AT-C section
- The respective responsibilities of the practitioner and others regarding the subject matter of the AT-C section
- The context in which the AT-C section is set

[Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A26 The application and other explanatory material provides further explanation of the requirements of an AT-C section and guidance for carrying them out. In particular, it may

a. explain more precisely what a requirement means or is intended to cover and

b. include examples of procedures that may be appropriate in the circumstances.

Although such guidance does not, in itself, impose a requirement, it may explain the proper application of the requirements of an AT-C section. The application and other explanatory material may also provide background information on matters addressed in an AT-C section. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable AT-C sections. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A27 The practitioner is required by paragraph .17 to understand the application and other explanatory material. How the practitioner applies the guidance in the engagement depends on the exercise of professional judgment in the circumstances consistent with the objective of the section. The words *may*, *might*, and *could* are used to describe these actions and procedures. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A28 An AT-C section may include, in a separate section under the heading "Definition(s)," a description of the meanings attributed to certain terms for purposes of the AT-C section. These are provided to assist in the consistent application and interpretation of the AT-C

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section and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings in all AT-C sections. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A29 Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AT-C section or within the title and introduction of the appendix itself. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

*Complying With Relevant Requirements (Ref: **par. .19**)*

.A30 In certain attestation engagements, the practitioner may also be required to comply with other requirements, such as in law or regulation, in addition to the attestation standards. The attestation standards do not override law or regulation that governs the attestation engagement. In the event that such law or regulation differs from attestation standards, an attestation engagement conducted only in accordance with law or regulation will not necessarily comply with the attestation standards. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

*Practitioner's Report Prescribed by Law or Regulation (Ref: **par. .20**)*

.A31 Some report forms can be made acceptable by inserting additional wording to include the elements required by sections 205, 206, 210, and 215.[6] Some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the practitioner's report calls for statements by the practitioner that are not consistent with the practitioner's function or responsibility, for example, a report form that requests the practitioner to "certify" the subject matter information. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

*Departure From a Relevant Requirement (Ref: **par. .22**)*

.A32 Paragraph .64 prescribes documentation requirements when the circumstances described in paragraph .22 occur. [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

*Interpretive Publications (Ref: **par. .23**)*

.A33 *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

[6]Paragraphs .63–.66 of section 205, paragraphs .46–.49 of section 210, and paragraph .32–.33 of section 215, *Agreed-Upon Procedures Engagements*. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

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the proposed interpretive publication is consistent with the attestation standards. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Other Attestation Publications (Ref: par. .24)

.A34 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. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A35 Although the practitioner determines the relevance of these publications in accordance with paragraph .24, the practitioner may presume that other attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other attestation publications are listed in AT-C appendix B, "Other Attestation Publications." [Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A36 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 publisher or author is recognized as an authority in attestation matters. [Revised, February 2017, to better reflect the AICPA Council Resolution designating the Public Company Accounting Oversight Board to promulgate technical standards. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Acceptance and Continuance (Ref: par. 25–.27)

.A37 Under QM section 10, for acceptance and continuance decisions, the firm is required to make judgments about the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. The engagement partner may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements are appropriate. If the engagement partner has concerns regarding the appropriateness of the conclusions reached, the engagement partner may discuss the basis for those conclusions with those involved in the acceptance and continuance process. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A38 If the engagement partner is directly involved throughout the firm's acceptance and continuance process, the engagement partner will be aware of the information obtained or used by the firm in reaching the related conclusions. Such direct involvement may also provide a basis for the engagement partner's determination that the firm's policies or procedures have been followed and that the conclusions reached are appropriate. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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.A39 In circumstances in which the firm is obligated by law or regulation to accept or continue an attestation engagement, the engagement partner may take into account information obtained by the firm about the nature and circumstances of the engagement. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A40 In deciding on the necessary action, the engagement partner and the firm may conclude that it is appropriate to continue with the attestation engagement and, if so, determine what additional steps are necessary at the engagement level (for example, the assignment of more staff or staff with specific expertise). If the engagement partner has further concerns or is not satisfied that the matter has been appropriately resolved, the firm's policies or procedures for resolving differences of opinion may be applicable. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Preconditions for an Attestation Engagement (Ref: par. .28)

.A41 The "Independence Standards for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation (ET sec. 1.297) establishes special requirements for independence for services provided under the attestation standards. In addition, the "Conceptual Framework Approach" interpretation (ET sec. 1.210.010) discusses threats to independence not specifically detailed elsewhere, for example, when the practitioner has an interest in the underlying subject matter. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

Roles and Responsibilities (Ref: par. .29)

.A42 All attestation engagements have an engaging party, a responsible party, the practitioner, and intended users. In some attestation engagements, the engaging party is different from the responsible party. In other attestation engagements, the engaging party, the responsible party, and the intended users may all be the same. [Paragraph added, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A43 The responsible party may acknowledge its responsibility for the underlying subject matter 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 information, including the notes thereto, or the written assertion. Examples of other evidence of the responsible party's responsibility for the underlying subject matter include reference to legislation, a regulation, or a contract. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A44 Evidence that the appropriate relationship exists with respect to responsibility for the underlying subject matter may be obtained through an acknowledgment provided by

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the responsible party. Such an acknowledgment also establishes a basis for a common understanding of the responsibilities of the responsible party and the practitioner. A written acknowledgment is the most appropriate form of documenting the responsible party's understanding. In the absence of a written acknowledgment of responsibility, it may still be appropriate for the practitioner to accept the engagement if, for example, other sources, such as legislation or a contract, indicate responsibility. In other cases, it may be appropriate to decline the engagement depending on the circumstances or disclose the circumstances in the attestation report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Appropriateness of Underlying Subject Matter (Ref: par. .29bi)

.A45 An element of the appropriateness of underlying subject matter is the existence of a reasonable basis for measuring or evaluating the underlying subject matter against criteria. The responsible party in an assertion-based examination engagement or review engagement is responsible for having a reasonable basis for measuring or evaluating the underlying subject matter against the criteria. What constitutes a reasonable basis will depend on the nature of the underlying subject matter and other engagement circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A46 An appropriate underlying subject matter

a. is identifiable and capable of consistent measurement or evaluation against the criteria and

b. can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A47 If the underlying subject matter is not appropriate for an examination engagement, it also is not appropriate for a review engagement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A48 Different underlying 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:

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a. In an examination or review engagement, the precision with which the underlying subject matter can be measured or evaluated against criteria

b. The persuasiveness of available evidence

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A49 Identifying such characteristics and considering their effects assists the practitioner when assessing the appropriateness of the underlying subject matter and also in determining the content of the practitioner's report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A50 In some cases, the attestation engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to examine one aspect of an entity's contribution to sustainable development, such as the programs run by the entity that have positive environmental outcomes, and may be aware that the practitioner has not been engaged to examine more significant programs with less favorable outcomes. In such cases, in determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter, it may be appropriate for the practitioner to consider whether information about the aspect that the practitioner is asked to examine is likely to meet the information needs of intended users. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

*Suitable and Available Criteria (Ref: **par. .29bii**)*

.A51 Suitable criteria exhibit all of the following characteristics:

- *Relevance*. Criteria are relevant to the underlying subject matter.
- *Objectivity*. Criteria are free from bias.
- *Measurability*. Criteria permit reasonably consistent measurements, qualitative or quantitative, of underlying subject matter.
- *Completeness*. Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information.

The relative importance of each characteristic to a particular engagement is a matter of professional judgment. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by

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SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A52 Criteria can be developed in a variety of ways, for example, they may be

- embodied in laws or regulations.
- issued by authorized or recognized bodies of experts that follow a transparent due process.
- developed collectively by a group that does not follow a transparent due process.
- published in scholarly journals or books.
- developed for sale on a proprietary basis.
- specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement.

How criteria are developed may affect the work that the practitioner carries out to assess their suitability. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A53 Criteria that are established or developed by groups composed of experts that follow due process procedures, including exposure of the proposed criteria for public comment, are ordinarily considered suitable. Criteria promulgated by a body designated by the Council of the AICPA under the AICPA Code of Professional Conduct are, by definition, considered to be suitable. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A54 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A55 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 .A51. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A56 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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.A57 Some criteria may be suitable for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. For example, criteria set forth in a lease agreement for override payments may be suitable only for reporting to the parties to the agreement because of the likelihood that such criteria would be misunderstood or misinterpreted by parties other than those who have specifically agreed to the criteria. Such criteria can be agreed upon directly by the parties or through a designated representative. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A58 Even when established criteria exist for an underlying 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A59 If criteria are specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement, they are not suitable if they result in subject matter information or a practitioner's report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the criteria and the information provided about the criteria in the report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A60 Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:

a. Publicly

b. Through inclusion in a clear manner in the presentation of the subject matter information

c. Through inclusion in a clear manner in the practitioner's report

d. By general understanding, for example, the criterion for measuring time in hours and minutes

e. Available only to specified parties, for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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.A61 When criteria are available only to specified parties, sections 205 and 210 require a statement restricting the use of the practitioner's report.[7] [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Access to Evidence (Ref: par. .29biii)

.A62 The nature of the relationship between the responsible party and, if different, the engaging party, may affect the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to arrive at the practitioner's opinion, conclusion, or findings. Therefore, the nature of that relationship may be a relevant consideration when determining whether or not to accept the engagement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A63 The quantity or quality of available evidence is affected by both of the following:

a. The characteristics of the underlying subject matter or the subject matter information, for example, less objective evidence might be expected when the subject matter information is future-oriented, rather than historical

b. Other circumstances, such as when evidence that could reasonably be expected to exist is not available, for example, because of the timing of the practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible or engaging party

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Acceptance of a Change in the Terms of the Engagement (Ref: par. .33)

.A64 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. A change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete, or otherwise unsatisfactory. An example of such a circumstance is a request to change the engagement from an examination to a review to avoid a modified opinion or a disclaimer of opinion in a situation in which the practitioner is unable to obtain sufficient appropriate evidence regarding the underlying subject matter or subject matter information. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

[7] Paragraph .64*b* of section 205 and paragraph .47*b* of section 210.

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.A65 If the practitioner and the engaging party are unable to agree to a change in the terms of the engagement and the practitioner is not permitted to continue the original engagement, the practitioner may withdraw from the engagement when possible under applicable laws and regulations. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Participating Practitioners and Referred-to Practitioners (Ref: par. .35–.36)

.A66 Circumstances may arise in which other individuals (including other practitioners) may perform work on information that is used by the practitioner as evidence. For example, a service auditor may issue a report on a service organization's controls that is considered by the practitioner. Because such individuals are neither participating practitioners nor referred-to practitioners, paragraphs .37–.39 do not apply. Rather, the work of these individuals would ordinarily be considered an information source in accordance with QM section 10. In an examination engagement, the relevance and reliability of information to be used as evidence is considered in accordance with the requirements of AT-C section 205.[8] In a review engagement, the sufficiency and appropriateness of review evidence is evaluated in accordance with the requirements of AT-C section 210.[9] [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A67 Because a participating practitioner is part of the engagement team, the quality management requirements associated with the engagement team, including those in paragraphs .37–.39, apply. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A68 A participating practitioner may be part of the practitioner's firm, a network firm, or another firm. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A69 Paragraph .37*a* requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. Accordingly, the practitioner may involve a participating practitioner to perform attestation procedures to fulfill the requirements of the attestation standards. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A70 Regardless of whether the practitioner uses the work of a participating practitioner, the engagement partner remains ultimately responsible and, therefore, is accountable for

[8]Paragraph .24 of section 205. [Footnote added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

[9]Paragraph .29 of section 210. [Footnote added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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compliance with the requirements of the attestation standards. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A71 Paragraph .37*a* requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. If the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the requirements in paragraph .37 do not apply. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A72 Regardless of whether the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the engagement partner remains ultimately responsible and, therefore, is accountable for compliance with the requirements of the attestation standards. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Quality Management

Engagement Resources

Sufficient and Appropriate Resources to Perform the Engagement (Ref: par. .37a)

.A73 Resources include human, technological, and intellectual resources. Human resources include members of the engagement team and, when applicable, any practitioner's external specialists and internal auditors who provide direct assistance. Technological resources include technological tools that may allow the practitioner to more effectively and efficiently manage the engagement. Intellectual resources include, for example, attestation methodologies, implementation tools, attestation guides, model programs, templates, checklists, or forms. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A74 In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, ordinarily, the engagement partner may depend on the firm's related policies or procedures (including resources). For example, based on information communicated by the firm, the engagement partner may be able to depend on the firm's technological development, implementation, and maintenance programs when using firm-approved technology to perform attestation procedures. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Assignment of the Engagement Team and the Practitioner's Specialists (Ref: par. .37b)

.A75 The practitioner may obtain knowledge about the specific underlying subject matter to which the procedures are to be applied and the criteria through formal or continuing education, practical experience, or consultation with others. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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.A76 When determining that the engagement team has the appropriate competence and capabilities, the engagement partner may take into consideration such matters as the engagement team's

- understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.
- understanding of professional standards and applicable legal and regulatory requirements.
- technical expertise, including expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the engagement and specialized areas relevant to the underlying subject matter.
- knowledge of relevant industries in which the entity operates.
- ability to exercise professional skepticism and professional judgment.
- understanding of the firm's policies or procedures.

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A77 Under QM section 10, the firm is required to establish a quality objective that addresses the nature, timing, and extent of the direction and supervision of engagement teams and review of their work. QM section 10 also requires that such direction, supervision, and review be planned and performed on the basis that the work performed by less experienced members of the engagement team be directed, supervised, and reviewed by more experienced team members. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A78 Some of the attestation procedures may be performed by a multidisciplinary team that includes one or more practitioner's specialists. For example, in an examination engagement, a practitioner's specialist may be needed to assist the practitioner in obtaining an understanding of the underlying subject matter, criteria, and other engagement circumstances or in assessing or responding to the risk of material misstatement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

*Insufficient or Inappropriate Resources (Ref: **par. .38**)*

.A79 The engagement partner's determination of whether additional engagement-level resources are required is a matter of professional judgment and is influenced by the requirements of this section and the nature and circumstances of the engagement. In certain circumstances, the engagement partner may determine that the firm's responses

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to quality risks are ineffective in the context of the specific engagement, including that certain resources assigned or made available to the engagement team are insufficient. In those circumstances, the engagement partner is required to take appropriate action, including communicating such information to the appropriate individuals in accordance with paragraphs .38 and .55*c*. For example, if an attestation software program provided by the firm has not incorporated new or revised procedures regarding recently issued industry regulation, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the engagement. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A80 If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include the following:

- Changing the planned approach to the nature, timing, and extent of direction, supervision, and review
- Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation
- Following the firm's policies or procedures for resolving differences of opinion if the engagement partner does not obtain the necessary resources for the engagement
- Following the firm's policies or procedures for withdrawing from the engagement, when withdrawal is possible under applicable law or regulation

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

The Engagement Partner's Responsibilities (Ref: par. .39, .41–.42, .48, .50, and .54–.55)

.A81 The engagement partner remains ultimately responsible and, therefore, accountable for compliance with the requirements of this section. Nevertheless, the engagement partner may seek assistance from others to fulfill these responsibilities. The phrase "take responsibility for…" is used for those requirements for which the engagement partner is permitted to assign the design or performance of procedures, tasks, or actions to appropriately skilled or suitably experienced members of the engagement team. For other requirements, this section expressly intends that the requirement or responsibility be fulfilled by the engagement partner. In such circumstances, the engagement partner may need to obtain information from the firm or other members of the engagement team. For example, when others perform supervisory and review activities, the outcomes of those activities can be taken into account by the engagement partner in fulfilling these responsibilities. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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Leadership Responsibilities for Quality in Attestation Engagements (Ref: par. .40–.41 and .46)

.A82 QM section 10 requires the firm to establish as a quality objective that engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including sufficient time to perform the engagement, to consistently perform quality engagements. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A83 Having the appropriate competence and capabilities, including in the underlying subject matter, enables the engagement partner to, for example,

a. when needed, ask appropriate questions of a practitioner's specialist and evaluate whether the answers make sense in the engagement circumstances.

b. evaluate the adequacy of a practitioner's specialist's work for the practitioner's purposes.

c. take responsibility for the conclusions reached or findings reported on the engagement.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A84 What constitutes competence and capabilities sufficient to take responsibility for the conclusions reached or findings reported on the engagement depends on the engagement circumstances and differs from engagement to engagement. Whether the engagement partner has sufficient competence and capabilities to take responsibility for the conclusions reached or findings reported on the engagement is a matter of professional judgment and may involve consideration of factors such as the following:

a. The nature and complexity of the underlying subject matter and its measurement or evaluation

b. The extent to which the underlying subject matter lends itself to precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgment in relation to the underlying subject matter

c. The engagement partner's and engagement team's competence and capabilities and previous experience in relation to the underlying subject matter

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A85 Being sufficiently and appropriately involved throughout the attestation engagement when procedures, tasks, or actions have been assigned to other members of the engagement team may be demonstrated by the engagement partner in different ways, including the following:

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- Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof, and providing any other necessary instructions and relevant information
- Directing and supervising the assignees
- Reviewing the assignees' work to evaluate the conclusions reached, in addition to the requirements in paragraphs .37*c*, .41*b*, and .43–.46 of this section.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A86 Paragraph .41*b* requires the engagement partner to take responsibility for the direction and supervision of the members of the engagement team and the review of their work. A referred-to practitioner is not part of the engagement team. Accordingly, if the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the requirement in paragraph .41*b* does not apply. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A87 Paragraph .37*d*i requires the engagement partner to determine that members of the engagement team have undertaken appropriate consultation on the matters specified in paragraph .41*c* during the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A88 The engagement partner uses professional judgment in determining which written communications to review, taking into account the nature and circumstances of the engagement. For example, it may not be necessary for the engagement partner to review communications between the engagement team and management in the ordinary course of the engagement. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Compliance With Relevant Ethical Requirements

Relevant Ethical Requirements (Ref: par. .49)

.A89 Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in

- drawing the attention of engagement team members to relevant ethical requirements that may be of particular significance to the attestation engagement.
- keeping the engagement partner informed about matters relevant to the engagement team's understanding and fulfillment of relevant ethical requirements and the firm's related policies or procedures.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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The Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: par. .50)

.A90 Within the context of the firm's system of quality management, engagement team members from the firm are responsible for implementing the firm's policies or procedures that are applicable to the engagement. Engagement team members from another firm, including a network firm, are neither partners nor staff of the engagement partner's firm.

- Members of the same network may be subject to common network requirements or use common network services, and the engagement partner may be able to depend on such network requirements, for example, those addressing professional training or recruitment or that require the use of audit methodologies and related implementation tools. In such circumstances, the firm may need to adapt or supplement network requirements or network services to be appropriate for use in its system of quality management.
- Another firm that is not a member of the same network may not be subject to the firm's system of quality management or the firm's policies or procedures. Further, the policies or procedures of another firm may not be similar to those of the engagement partner's firm. For example, policies or procedures regarding direction, supervision, and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language, or culture than that of the engagement partner's firm.

Accordingly, when the engagement team includes individuals who are from another firm, different actions may need to be taken by the firm or the engagement partner to implement the firm's policies or procedures with respect to the work of those individuals. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Identifying and Evaluating Threats to Compliance With Relevant Ethical Requirements (Ref: par. .50)

.A91 In accordance with QM section 10, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Breaches of Relevant Ethical Requirements (Ref: par. .52)

.A92 In accordance with QM section 10, the firm is required to establish policies or procedures for identifying, communicating, evaluating, and reporting any breaches of relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Taking Appropriate Action (Ref: par. .53)

.A93 Examples of appropriate actions may include the following:

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- Following the firm's policies or procedures regarding breaches of relevant ethical requirements, including communicating to or consulting with the appropriate individuals so that appropriate action can be taken, including, as applicable, disciplinary action.
- Communicating with those charged with governance.
- Communicating with regulatory authorities or professional bodies. In some circumstances, communication with regulatory authorities may be required by law or regulation.
- Seeking legal advice.
- Withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

[Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Considerations Specific to Governmental Organizations (Ref: par. .49)

.A94 Law or regulation may provide safeguards for the independence of governmental organizations and the practitioners they employ. However, in the absence of law or regulation, governmental organizations may establish supplemental safeguards to assist the practitioner or organization in maintaining independence. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Monitoring and Remediation (Ref: par. .55)

.A95 In considering information communicated by the firm through its monitoring and remediation process and how it may affect the engagement, the engagement partner may consider the remedial actions designed and implemented by the firm to address deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team. The engagement partner may also determine whether additional remedial actions are needed at the engagement level. For example, the engagement partner may determine that

- a practitioner's specialist is needed or
- the nature, timing, and extent of direction, supervision, and review need to be enhanced in an area of the engagement where deficiencies have been identified.

If an identified deficiency does not affect the quality of the engagement (for example, if it relates to a technological resource that the engagement team did not use), then no further action may be needed. [Paragraph added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Engagement Documentation (Ref: par. .57–.58)

.A96 Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time. [Paragraph

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renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A97 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:

- Deleting or discarding superseded documentation
- Sorting, collating, and cross-referencing working papers
- Signing off on completion checklists relating to the file assembly process
- Documenting evidence that the practitioner has obtained, discussed, and agreed with the relevant members of the engagement team before the date of the practitioner's report
- Adding information received after the date of the report, for example, an original confirmation that was previously communicated electronically

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

Engagement Quality Review (Ref: par. .65)

.A98 QM section 10 contains requirements that the firm establish policies or procedures addressing engagement quality reviews in accordance with QM section 20, *Engagement Quality Reviews*, and requiring an engagement quality review for certain types of engagements.[10] QM section 20 deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performing and documenting an engagement quality review. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered and amended, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: par. .66)

.A99 Professional skepticism includes being alert to matters such as the following:

- Evidence that contradicts other evidence obtained

[10]Paragraph .35*f* of QM section 10. [Footnote added, effective for engagements beginning on or after December 15, 2025, by SSAE No. 23.]

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- Information that brings into question the reliability of documents and responses to inquiries to be used as evidence
- Circumstances that may indicate fraud
- Circumstances that suggest the need for procedures in addition to those required by relevant AT-C sections

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A100 Professional skepticism is necessary to the critical assessment of evidence. This includes questioning contradictory evidence and the reliability of documents and responses to inquiries and other information obtained from the appropriate party. It also includes consideration of the sufficiency and appropriateness of evidence obtained in light of the circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A101 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

*Professional Judgment (Ref: **par. .68**)*

.A102 Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant ethical requirements and relevant AT-C sections and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph renumbered by the issuance of SSAE No. 23, June 2024.]

.A103 For examination and review engagements, professional judgment is necessary regarding decisions about the following matters:

- Materiality and attestation risk
- The nature, timing, and extent of procedures used to meet the requirements of relevant AT-C sections and gather evidence
- Evaluating whether sufficient appropriate evidence for the service being provided has been obtained and whether more needs to be done to achieve the objectives of this section, section 205, section 206, or section 210, and any relevant subject-matter-specific AT-C sections and thereby the overall objectives of the practitioner

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- In assertion-based examination engagements and review engagements, the evaluation of the responsible party's judgments in applying the criteria
- The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of underlying subject matter

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A104 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A105 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. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A106 Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of the attestation standards and measurement or evaluation principles and is appropriate in light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

.A107 The requirement to exercise professional judgment applies throughout the engagement. Professional judgment also needs to be appropriately documented as required by sections 205, 206, and 210. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21. Paragraph subsequently renumbered by the issuance of SSAE No. 23, June 2024.]

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AT-C Section 9105

Concepts Common to All Attestation Engagements: Attestation Interpretations of Section 105

Note
In June 2024, the Auditing Standards Board issued Statement on Standards for Attestation Engagements (SSAE) No. 23, *Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*, which contains amendments to section 105, *Concepts Common to All Attestation Engagements*. The amendments are effective for engagements performed in accordance with Statements on Standards for Attestation Engagements beginning on or after December 15, 2025.

The attestation interpretations in this section are expected to be revised in a future update to reflect the issuance of SSAE No. 23.

1. Responding to Requests for Reports on Matters Relating to Solvency

.01 *Question* — Lenders, as a requisite to the closing of certain secured financings in connection with leveraged buyouts, recapitalizations, and certain other financial transactions, have sometimes requested written assurance from an accountant regarding the prospective borrower's solvency and related matters.[1] The lender is concerned that such financings not be considered to include a fraudulent conveyance or transfer under the United States Bankruptcy Code[2] or the relevant state fraudulent conveyance or transfer statute.[3] If the financing is subsequently determined to have included a fraudulent conveyance or transfer, repayment obligations and security interests may be set aside or subordinated to the claims of other creditors.

[1]Although this interpretation describes requests from secured lenders and summarizes the potential effects of fraudulent conveyance or transfer laws upon such lenders, the interpretation is not limited to requests from lenders. All requests for assurance on matters relating to solvency are governed by this interpretation.

[2]Chapter 5 of the United States Bankruptcy Code addresses *fraudulent transfers and obligations* and states the following:

> (a)(1)The trustee may avoid any transfer of an interest of the debtor in property or any obligation incurred by the debtor, that was made or incurred on or within two years before the date of the filing of the petition, if the debtor voluntarily or involuntarily—

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.02 May a practitioner provide assurance concerning *matters relating to solvency*, as hereinafter defined?

.03 *Interpretation* — No. For reasons set forth subsequently, a practitioner should not provide any form of assurance, through an examination, review, or agreed-upon procedures engagement, that an entity

- is not insolvent at the time the debt is incurred or would not be rendered insolvent thereby.
- does not have unreasonably small capital.
- has the ability to pay its debts as they mature.

In the context of particular transactions, other terms are sometimes used or defined by the parties as equivalents of or substitutes for the preceding terms (for example, *fair salable value of assets exceeds liabilities*). These terms, and those matters listed previously, are hereinafter referred to as *matters relating to solvency.* The prohibition extends to providing assurance concerning all such terms.

.04 Section 105, *Concepts Common to All Attestation Engagements*, indicates that one of the preconditions for performing an attestation engagement is that the criteria to be applied in the preparation and evaluation of the underlying subject matter are suitable and will be available to the intended users.[4] Section 105 also indicates that suitable criteria exhibit all the following characteristics:[5]

(A) made such transfer or incurred such obligation with actual intent to hinder, delay, or defraud any entity to which the debtor was or became, on or after the date that such transfer occurred or such obligation was incurred, indebted; or

(B)(i) received less than a reasonably equivalent value in exchange for such transfer or obligation; and

(ii)(I) was insolvent on the date that such transfer was made or such obligation was incurred, or became insolvent as a result of such transfer or obligation;

(II) was engaged in business or a transaction, or was about to engage in business or a transaction, for which any property remaining with the debtor was an unreasonably small capital;

(III) intended to incur, or believed that the debtor would incur, debts that would be beyond the debtor's ability to pay as such debts matured; or

(IV) made such transfer to or for the benefit of an insider, or incurred such obligation to or for the benefit of an insider, under an employment contract and not in the ordinary course of business.

[3]State fraudulent conveyance or transfer statutes such as the Uniform Fraudulent Conveyance Act and the Uniform Fraudulent Transfer Act reflect substantially similar provisions. These state laws may be employed absent a declaration of bankruptcy or by a bankruptcy trustee under Section 544(1) of the United States Bankruptcy Code. Although the statute of limitations varies from state to state, in some states, financing transactions may be vulnerable to challenge for up to six years from closing.

[4]Paragraph .27*b*(ii) of section 105, *Concepts Common to All Attestation Engagements.*

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- *Relevance.* Criteria are relevant to the underlying subject matter.
- *Objectivity.* Criteria are free from bias.
- *Measurability.* Criteria permit reasonably consistent measurements, qualitative or quantitative, of underlying subject matter.
- *Completeness.* Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of the subject matter information.

.05 The matters relating to solvency mentioned in paragraph .03 of this interpretation are subject to legal interpretation under, and varying legal definition in, the United States Bankruptcy Code and various state fraudulent conveyance and transfer statutes. Because these matters are not clearly defined in an accounting sense and, therefore, are subject to varying interpretations, they do not provide the practitioner with suitable criteria required to evaluate the underlying subject matter or an assertion. In addition, lenders are concerned with legal issues on matters relating to solvency, and the practitioner is generally unable to evaluate or provide assurance on these matters of legal interpretation. Therefore, practitioners are precluded from giving any form of assurance on matters relating to solvency or any financial presentation of matters relating to solvency.

.06 Under existing AICPA standards, the practitioner may provide a client with various professional services that may be useful to the client in connection with a financing. These services include the following:

- Audit of historical financial statements
- Review of historical financial information (a review in accordance with AU-C section 930, *Interim Financial Information*, of interim financial information or in accordance with AR-C section 90, *Review of Financial Statements*)
- Examination or review of pro forma financial information (section 310, *Reporting on Pro Forma Financial Information*).
- Examination of prospective financial information in accordance with section 305, *Prospective Financial Information*, or compilation of prospective financial information in accordance with AR-C section 80, *Compilation Engagements*.[6]

[5]Paragraph .A44 of section 105.

[6]Paragraph .01 of AR-C section 80, *Compilation Engagements*. Section 305, *Prospective Financial Information*, does not address compilations of prospective financial information — a service that is included in AT section 301, *Financial Forecasts and Projections*. Paragraph .01 of AR-C section 80 states that AR-C section 80 (which is applicable to compilations of historical financial statements) also may be applied, adapted as necessary in the circumstances, to other historical or prospective financial information.

All AT sections can be found in *PCAOB Standards and Related Rules*.

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

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.07 Although a practitioner may not provide an agreed-upon procedures report under section 215, *Agreed-Upon Procedures Engagements*, that addresses matters related to solvency, a practitioner may provide an agreed-upon procedures report that addresses other subject matter that can be useful to a client or lender in connection with a financing. For example, the practitioner may perform an agreed-upon procedures engagement in which the client and lender specify the procedures to be applied to various financial presentations, such as historical financial information, pro forma financial information, and prospective financial information, which can be useful to a client or lender in connection with a financing.

.08 The practitioner should be aware that certain of the services described in paragraph .06 require that the practitioner have an appropriate level of knowledge of the entity's accounting and financial reporting practices and its internal control. This has ordinarily been obtained by the practitioner auditing historical financial statements of the entity for the most recent annual period or by otherwise obtaining an equivalent knowledge base. When considering acceptance of an engagement relating to a financing, the practitioner should consider whether he or she can perform these services without an equivalent knowledge base.

.09 Section 215 states that the practitioner should not express an opinion or conclusion on the subject matter or about whether the subject matter is in accordance with (or based on) the criteria.[7] Accordingly, a report on agreed-upon procedures should not express an opinion or conclusion on matters relating to solvency or any financial presentation of matters relating to solvency (for example, fair salable value of assets less liabilities or fair salable value of assets less liabilities, contingent liabilities, and other commitments). A practitioner's report on the results of applying agreed-upon procedures should contain the report elements set forth in section 215 (or section 305 if applying agreed-upon procedures to prospective financial information).[8] To clarify the purpose of the engagement and the practitioner’s findings, the practitioner's report on the results of applying agreed-upon procedures may state that

- the service has been requested in connection with a financing (no reference should be made to any solvency provisions in the financing agreement).
- no representations are provided regarding questions of legal interpretation.
- no assurance is provided concerning the borrower's
  - — solvency,
  - — adequacy of capital, or
  - — ability to pay its debts.
- the procedures should not be taken to supplant any additional inquiries and procedures that the lender should undertake in its consideration of the proposed financing.

[7]Paragraph .26*c* of section 215, *Agreed-Upon Procedures Engagements*.

[8]Paragraph .34 of section 215 and paragraph .39 of section 305.

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- where applicable, an audit of recent historical financial statements has previously been performed and that no audit of any historical financial statements for a subsequent period has been performed. In addition, if any services have been performed pursuant to paragraph .06, they may be referred to.

.10 The financing agreement ordinarily specifies the date, often referred to as the *cut-off date*, to which the report is to relate (for example, a date three business days before the date of the report). To clarify the purpose of the engagement and the practitioner's findings, the report may state that the inquiries and other procedures carried out in connection with the report did not cover the period from the cut-off date to the date of the report.

.11 The practitioner might consider furnishing the client with a draft of the agreed-upon procedures report. In order to avoid giving the impression that the procedures described therein have been performed, the draft report may be identified as a draft. This practice of furnishing a draft report at an early point permits the practitioner to make clear to the client and lender what they may expect the accountant to furnish and gives them an opportunity to change the financing agreement or the agreed-upon procedures if they so desire. [Issue Date: May 1988. Amended, February 1993. Revised, January 2001. Revised, November 2006. Revised, December 2012. Revised, April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 19 and 21.]

2. Applicability of Attestation Standards to Litigation Services

.12 *Question* — Does Interpretation No. 1, "Responding to Requests for Reports on Matters Relating to Solvency," of section 105 prohibit a practitioner from providing expert testimony, as described in section 105, before a trier of fact on matters relating to solvency?[9]

.13 *Interpretation* — No. Matters relating to solvency mentioned in paragraph .03 of Interpretation No. 1 are subject to legal interpretation under, and varying legal definition in, the United States Bankruptcy Code and various state fraudulent conveyance and transfer statutes. Because these matters are not clearly defined in an accounting sense and, therefore, subject to varying interpretations, they do not provide the practitioner with the suitable criteria required to evaluate the assertion. Thus, Interpretation No. 1 prohibits a practitioner from providing any form of assurance in reporting upon examination, review, or agreed-upon procedures engagements about matters relating to solvency (as defined in paragraph .03 of Interpretation No. 1).

.14 However, a practitioner who is involved with pending or potential formal legal or regulatory proceedings before a trier of fact in connection with the resolution of a dispute between two or more parties may provide an expert opinion or consulting advice about matters relating to solvency. The prohibition in Interpretation No. 1 does not apply in such engagements because as part of the legal or regulatory proceedings, each party to the dispute has the opportunity to analyze and challenge the legal definition and interpretation of the matters relating to solvency and the criteria the practitioner uses to evaluate matters

[9]Paragraph .A2 of section 105.

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related to solvency. Such services are not intended to be used by others who do not have the opportunity to analyze and challenge such definitions and interpretations. [Issue Date: July 1990. Revised: January 2001. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

3. Providing Access to or Copies of Engagement Documentation to a Regulator[10,11]

.15 *Question* — Section 105 states that "Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information."[12] However, practitioners are sometimes required by law, regulation, or contract[13] to provide a regulator, or a duly appointed representative, access to engagement documentation. For example, a regulator may request access to the engagement documentation to fulfill a quality review requirement or to assist in establishing the scope of a regulatory examination. Furthermore, as part of the regulator's review of the engagement documentation, the regulator may request copies of all or selected portions of the engagement documentation during or after the review. The regulator may intend, or decide, to make copies (or information derived from the engagement documentation) available to others, including other governmental agencies, for their particular purposes, with or without the knowledge of the practitioner or the client. When a regulator requests the practitioner to provide access to (and possibly copies of) engagement documentation pursuant to law, regulation, or contract, what actions might the practitioner consider?

.16 *Interpretation* — When a regulator requests access to engagement documentation pursuant to law, regulation, or contract, the practitioner may take the following steps:

a. Consider advising the client that the regulator has requested access to (and possibly copies of) the engagement documentation and that the practitioner intends to comply with such request.[14]

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[10]The term *regulator(s)* includes federal, state, and local government officials with legal oversight authority over the entity. Examples of regulators who may request access to engagement documentation include, but are not limited to, state insurance and utility regulators, various health care authorities, and federal agencies such as the Federal Deposit Insurance Corporation, the Department of Housing and Urban Development, the Department of Labor, and the Rural Electrification Administration.

[11]The guidance in this interpretation does not apply to requests from the IRS; firm practice-monitoring programs, to comply with AICPA or state professional requirements such as peer or quality reviews; proceedings relating to alleged ethics violations; or subpoenas.

[12]Paragraph .42 of section 105.

[13]Paragraphs .26–.30 of this interpretation address situations in which the practitioner is not required by law, regulation, or contract to provide a regulator access to the engagement documentation.

[14]The practitioner may wish (and, in some cases, may be required by law, regulation, or contract) to confirm in writing with the client that the practitioner may be required to provide a regulator access to the engagement documentation. Sample language that may be used follows:
The engagement documentation for this engagement is the property of [*name of firm*] and constitutes confidential information. However, we may be requested to make certain engagement documentation available to [*name of regulator*] pursuant to authority given to it by law or regulation. If requested, access to such engagement

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b. Make appropriate arrangements with the regulator for the review.

c. Maintain control over the engagement documentation, and

d. Consider submitting the letter described in paragraph .19 of this interpretation to the regulator.

.17 Making appropriate arrangements with the regulator may include establishing the specific details, such as the date, time, and location of the review. The engagement documentation may be made available to a regulator at the offices of the client, the practitioner, or a mutually agreed-upon location. However, maintaining control of engagement documentation is necessary in order for the practitioner to maintain the integrity of the engagement documentation and the confidentiality of client information. For example, the practitioner (or the practitioner's representative) may be present when the engagement documentation is reviewed by the regulator.

.18 Ordinarily, the practitioner may not agree to transfer ownership of the engagement documentation to a regulator. Furthermore, the practitioner may not agree, without client authorization, that the information contained therein about the client may be communicated to or made available to any other party. In this regard, the action of a practitioner providing access to, or copies of, the engagement documentation shall not constitute transfer of ownership or authorization to make them available to any other party.

.19 An engagement performed in accordance with the attestation standards is not intended to, and does not, satisfy a regulator's oversight responsibilities. To avoid any misunderstanding, prior to allowing a regulator access to the engagement documentation, the practitioner may submit a letter to the regulator that

a. sets forth the practitioner's understanding of the purpose for which access is being requested;

b. describes the examination, review, or agreed-upon procedures process, as applicable, and the limitations inherent in the applicable attestation engagement;

c. explains the purpose for which the engagement documentation was prepared, and that any individual conclusions or findings must be read in the context of the practitioner's report on the subject matter (or assertion);

d. states, except when not applicable, that the engagement was not planned or conducted in contemplation of the purpose for which access is being granted or to assess the entity's compliance with laws and regulations;

e. states that the examination, review, or agreed-upon procedures engagement, as applicable, and the engagement documentation should not supplant other inquiries and procedures that should be undertaken by the regulator for its purposes;

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documentation will be provided under the supervision of [*name of firm*] personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to [*name of regulator*]. The [*name of regulator*] may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

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f. requests confidential treatment under the Freedom of Information Act or similar laws and regulations,[15] when a request for the engagement documentation is made, and that written notice be given to the practitioner before transmitting any information contained in the engagement documentation to others, including other governmental agencies, except when such transfer is required by law or regulation; and

g. states that if any copies are to be provided, they will be identified as "Confidential Treatment Requested by [*name of firm, address, telephone number*]."

The practitioner may obtain a signed acknowledgment copy of the letter as evidence of the regulator's receipt of the letter. Illustrative letters for an examination engagement performed in accordance with section 315, *Compliance Attestation*, and an agreed-upon procedures engagement performed in accordance with section 215 follow.

.20 Illustrative letter for an examination engagement:

[15]The practitioner may need to consult the regulations of individual agencies and, if necessary, consult with legal counsel regarding the specific procedures and requirements necessary to gain confidential treatment.

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Illustrative Letter to Regulator[16]

[*Date*]

[*Name and Address of Regulatory Agency*]

Your representatives have requested access to our engagement documentation in connection with our engagement to examine XYZ Company's compliance with [*identify the specified requirements*] during the period [*date*] to [*date*] [*or management's assertion about its compliance with* (*identify the specified requirements*) during the period (*date*) to (*date*)]. It is our understanding that the purpose of your request is [*state purpose*: for example, "to facilitate your regulatory examination"][17]

Our examination was conducted in accordance with attestation standards[18] established by the AICPA, the objective of which is to obtain reasonable assurance about whether XYZ Company complied with [*identify the specified requirements*] during the period [*date*] to [*date*], in all material respects, and to express an opinion in a written report about whether XYZ Company complied with [*identify the specified requirements*] during the period [*date*] to [*date*] [or whether management's assertion about its compliance with (*identify the specified requirements*) during the period (*date*) to (*date*) is fairly stated], in all material respects, based on our examination. Under these standards, we have the responsibility to plan and perform our examination to provide a reasonable basis for our opinion and to exercise due professional care in the performance of our examination. Our examination is subject to the inherent risk that material noncompliance, if it exists, would not be detected. In addition, our examination does not address the possibility that material noncompliance may occur in the future. Also, our use of professional judgment and the assessments of attestation risk and materiality for the purpose of our examination means that matters may have existed that would have been assessed differently by you. Our examination does not provide a legal determination on [*name of entity*]'s compliance with specified requirements.

The engagement documentation was prepared for the purpose of providing a sufficient and appropriate record of the basis of our opinion on [*name of entity*]'s compliance and to aid in the performance and supervision of our examination. The engagement documentation is the principal record of attestation procedures performed, relevant evidence obtained, and conclusions reached by us in the examination. The procedures that we performed were limited to those we considered necessary under attestation standards[19] established by the AICPA to provide us with reasonable basis for our opinion. Accordingly, we make

[16]The letter may be modified appropriately when the engagement has been conducted in accordance with Statements on Standards for Attestation Engagements (SSAEs) and also in accordance with additional attestation requirements specified by a regulatory agency (for example, the requirements specified in *Government Auditing Standards* issued by the Comptroller General of the United States).

[17]See footnote 13. Also, if the practitioner is not required by law, regulation, or contract to provide a regulator access to the engagement documentation but otherwise intends to provide such access, the letter should include a statement that "Management of [name of entity] has authorized us to provide you access to our attest documentation for [state purpose]." [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

[18]See footnote 16.

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no representation as to the sufficiency or appropriateness, for your purposes, of either the procedures or information in our engagement documentation. In addition, any notations, comments, and individual conclusions appearing on any of the engagement documentation do not stand alone and should not be read as an opinion on any part of management's assertion or the related subject matter.

Our examination was conducted for the purpose stated above and was not planned or performed in contemplation of your [*state purpose*: for example, "regulatory examination"]. Therefore, items of possible interest to you may not have been specifically addressed. Accordingly, our examination, and the engagement documentation prepared in connection therewith, should not supplant other inquiries and procedures that should be undertaken by the [*name of regulatory agency*] for the purpose of monitoring and regulating [*name of entity*]. In addition, we have not performed any procedures since the date of our report with respect to the subject matter [*or management's assertion related thereto*], and significant events or circumstances may have occurred since that date.

The engagement documentation constitutes and reflects work performed or information obtained by us in the course of our examination. The documents contain trade secrets and confidential commercial and financial information of our firm and [*name of entity*] that is privileged and confidential, and we expressly reserve all rights with respect to disclosures to third parties. Accordingly, we request confidential treatment under the Freedom of Information Act or similar laws and regulations[20] when requests are made for the engagement documentation or information contained therein or any documents created by the [*name of regulatory agency*] containing information derived there from. We further request that written notice be given to our firm before distribution of the information in the engagement documentation (or copies thereof) to others, including other governmental agencies, except when such distribution is required by law or regulation.

[*If it is expected that copies will be requested, add the following*:

Any copies of our engagement documentation we agree to provide you will contain a legend "Confidential Treatment Requested by (*name of firm, address, telephone number*)."]

[*Firm signature*]

.21 The following is an illustrative letter for an agreed-upon procedures engagement:

[19]See footnote 16.

[20]This illustrative paragraph may not, in and of itself, be sufficient to gain confidential treatment under the rules and regulations of certain regulatory agencies. The practitioner should consider tailoring this paragraph to the circumstances after consulting the regulations of each applicable regulatory agency and, if necessary, consult with legal counsel regarding the specific procedures and requirements necessary to gain confidential treatment.

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Illustrative Letter to Regulator[21]

[*Date*]

[*Name and Address of Regulatory Agency*]

Your representatives have requested access to our engagement documentation in connection with our engagement to perform agreed-upon procedures on [*identify the subject matter or management's assertion*]. It is our understanding that the purpose of your request is [*state purpose:* for example, "to facilitate your regulatory examinations."][22]

Our agreed-upon procedures engagement was conducted in accordance with attestation standards[23] established by the AICPA. Under these standards, we have the responsibility to perform the agreed-upon procedures to provide a reasonable basis for the findings expressed in our report. We were not engaged to, and did not, perform an examination, the objective of which would be to form an opinion on [*identify the subject matter or management's assertion*]. Our engagement is subject to the inherent risk that material misstatement of [*identify the subject matter or management's assertion*], if it exists, would not be detected. [*The practitioner may add the following:* "In addition, our engagement does not address the possibility that material misstatement of (*identify the subject matter or management's assertion*) may occur in the future."] The procedures that we performed were limited to those agreed to and acknowledged by [*name of entity*] to be appropriate to meet the intended purpose of [*the intended purpose of the agreed-upon procedures engagement*]. Further, our engagement does not provide a legal determination on [*name of entity*]'s compliance with specified requirements.

The engagement documentation was prepared to document agreed-upon procedures applied, information obtained, and related findings in the engagement. Accordingly, we make no representation, for your purposes, as to the sufficiency or appropriateness of the information in our engagement documentation. In addition, any notations, comments, and individual findings appearing on any of the engagement documentation should not be read as an opinion on [*identify the subject matter or management's assertion*], or any part thereof.

Our engagement was performed for the purpose stated above and was not performed in contemplation of your [*state purpose*: for example, "regulatory examination"]. Therefore, items of possible interest to you may not have been specifically addressed. Accordingly, our engagement, and the engagement documentation prepared in connection therewith, should not supplant other inquiries and procedures that should be undertaken by the [*name of regulatory agency*] for the purpose of monitoring and regulating [*name of client*]. In addition, we have not performed any procedures since the date of our report with respect to the subject matter or management's assertion related thereto, and significant events or circumstances may have occurred since that date.

[21]See footnote 16.

[22]See footnotes 13 and 17. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126. Revised, April 2016.]

[23]See footnote 16.

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The engagement documentation constitutes and reflects procedures performed or information obtained by us in the course of our engagement. The documents contain trade secrets and confidential commercial and financial information of our firm and [*name of client*] that is privileged and confidential, and we expressly reserve all rights with respect to disclosures to third parties. Accordingly, we request confidential treatment under the Freedom of Information Act or similar laws and regulations when requests are made for the engagement documentation or information contained therein or any documents created by the [*name of regulatory agency*] containing information derived therefrom. We further request that written notice be given to our firm before distribution of the information in the engagement documentation (or copies thereof) to others, including other governmental agencies, except when such distribution is required by law or regulation.[24]

[*If it is expected that copies will be requested, add the following:*

Any copies of our engagement documentation we agree to provide you will contain a legend "Confidential Treatment Requested by (*name of firm, address, telephone number*)."]

[*Firm signature*]

[Issue Date: May 1996; Revised: January 2001. January 2002. Revised: December 2012. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 19 and 21.]

.22 *Question* — A regulator may request access to the engagement documentation before the attestation engagement has been completed and the report released. May the practitioner allow access in such circumstances?

.23 *Interpretation* — When the engagement has not been completed, the engagement documentation is necessarily incomplete because (*a*) additional information may be added as a result of further tests and review by supervisory personnel, and (*b*) any results of the engagement and conclusions reflected in the incomplete engagement documentation may change. Accordingly, it is preferable that access be delayed until all attestation procedures have been completed and all internal reviews have been performed. If access is provided prior to completion of the engagement, the practitioner may issue the letter referred to in paragraph .19 of this interpretation, modified appropriately. The following is an example of additional language that may be included in the letter:

[24]See footnote 20.

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> We have been engaged to examine, in accordance with attestation standards established by the AICPA, XYZ Company's compliance with [*identify the specified requirements*] during the period [*date*] to [*date*] (or management's assertion about its compliance during the period [*date*] to [*date*]), but have not yet completed our examination. Accordingly, at this time, we do not express any opinion on XYZ Company's compliance with [*identify the specified requirements*] during the period [*date*] to [*date*] (or management's assertion about its compliance during the period [*date*] to [*date*]). Furthermore, the contents of the engagement documentation may change as a result of additional attestation procedures and review of the engagement documentation by supervisory personnel of our firm. Accordingly, our engagement documentation is incomplete.

Because the engagement documentation may change prior to completion of the engagement, it is preferable that the practitioner not provide copies of the engagement documentation until the engagement has been completed.

.24 *Question* — Some regulators may engage an independent party, such as another independent public accountant, to perform the engagement documentation review on behalf of the regulatory agency. Are there any special precautions the practitioner may observe in these circumstances?

.25 *Interpretation* — The practitioner may obtain acknowledgment, preferably in writing, from the regulator stating that the third party is acting on behalf of the regulator and agreement from the third party that he or she is subject to the same restrictions on disclosure and use of engagement documentation and the information contained therein as the regulator.

.26 *Question* — When a regulator requests the practitioner to provide access to (and possibly copies of) engagement documentation and the practitioner is not otherwise required by law, regulation, or contract to provide such access, what steps may the practitioner take?

.27 *Interpretation* — The practitioner may obtain an understanding of the reasons for the regulator's request for access to the engagement documentation and may consider consulting with legal counsel regarding the request. If the practitioner decides to provide such access, reasonable procedures to maintain the confidentiality of client information include obtaining the client's consent, preferably in writing, to provide the regulator access to the engagement documentation.

.28 Following is an example of language that may be used in the written communication to the client:

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The engagement documentation for this engagement is the property of [*name of firm*] and constitutes confidential information. However, we have been requested to make certain engagement documentation available to [*name of regulator*] for [*describe the regulator's basis for its request*]. Access to such engagement documentation will be provided under the supervision of [*name of firm*] personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to [*name of regulator*].

You have authorized [*name of firm*] to allow [*name of regulator*] access to the engagement documentation in the manner discussed above. Please confirm your agreement to the above by signing below and returning to [*name of firm, address*].

[*Firm signature*]

Agreed and acknowledged:

[*Name and title*]

[*Date*]

.29 If the client requests to review the engagement documentation before allowing the regulator access, the practitioner may provide the client with the opportunity to obtain an understanding of the nature of the information about the subject matter contained in the engagement documentation that is being made available to the regulator. When a client reviews the engagement documentation, the need to maintain control of the engagement documentation is as discussed in paragraph .17 of this interpretation.

.30 The guidance in paragraphs .17–.25 of this interpretation, which provide guidance on making arrangements with the regulator for access to the engagement documentation, maintaining control over the engagement documentation, and submitting a letter describing various matters to the regulator, is also applicable.

[Issue Date: July, 1994. Revised: June, 1996. Revised: October, 2000. Revised: January, 2002. Revised: December, 2005. Revised: October, 2011, effective for audits of financial statements for periods ending on or after December 15, 2012. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

4. Performing and Reporting on an Attestation Engagement Under Two Sets of Attestation Standards

.31 *Question* — Do the AICPA attestation standards permit the performance of, and reporting on, an attestation engagement in which the practitioner follows both the AICPA attestation standards and another set of attestation standards, such as those issued by the International Auditing and Assurance Standards Board or the PCAOB?

.32 *Interpretation* — Yes, a practitioner may perform and report on an attestation engagement in accordance with AICPA attestation standards in addition to another set

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of attestation standards, as long as both sets of attestation standards are followed in their entirety.

.33 *Question* — If a practitioner performs an attestation engagement in accordance with the AICPA attestation standards and the PCAOB interim attestation standards, how would the practitioner reference both sets of attestation standards if the practitioner chooses to do so in the attestation report?

.34 *Interpretation* — If the practitioner performs an attestation engagement in accordance with both AICPA attestation standards and the PCAOB interim attestation standards, and the report references both sets of attestation standards, the statement that the attestation engagement was conducted in accordance with attestation standards established by the AICPA would be amended to add that the engagement was also conducted in accordance with "the standards of the Public Company Accounting Oversight Board (United States)."[25] A reference to "the standards" of the PCAOB indicates that the practitioner has complied not only with the PCAOB interim attestation standards, but also with the related professional practice standards of the PCAOB, which include the relevant independence rules. If the practitioner is required to comply only with the PCAOB interim attestation standards rather than all the PCAOB standards, the practitioner may include the word "attestation" in the reference to the standards of the PCAOB.[26] A practitioner performing an attestation engagement in these circumstances may, nevertheless, be responsible for complying with certain or all of the independence and other related professional practice standards of the PCAOB, for example, when the attestation engagement is subject to regulatory oversight that requires compliance with those rules. Whether the practitioner conducts an attestation engagement in accordance with the standards of the PCAOB or in accordance with the attestation standards of the PCAOB depends on the circumstances of the engagement.

.35 Following are illustrative reports with examples of additional language (in ***bold italics***) that a practitioner may include in attestation reports to indicate that the engagement was conducted in accordance with the AICPA attestation standards and the PCAOB interim attestation standards:

[25]PCAOB Release No. 2015-002, *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, states, in part, "…whenever the practitioner is required to make reference in a report to attestation standards established by the American Institute of Certified Public Accountants, the practitioner must instead refer to "the standards of the Public Company Accounting Oversight Board (United States)."

[26]By analogy to Staff Question and Answer No. 2, *Audits of Financial Statements of Non-Issuers Performed Pursuant to the Standards of the Public Company Accounting Oversight Board* (PCAOB Staff Guidance, sec. 100.01), dated June 30, 2004.

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Examination Engagement

Independent Accountant's Report

[*Same first paragraph as the standard report*]

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

[*Same subsequent paragraphs as the standard report*]

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Review Engagement

Independent Accountant's Report

[*Same first paragraph as the standard report*]

Our review was conducted in accordance with attestation standards established by the AICPA ***and in accordance with the standards of the Public Company Accounting Oversight Board (United States)***. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

[*Same subsequent paragraphs as the standard report*]

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Agreed-Upon Procedures Engagement

Independent Accountant's Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*]. [*The responsible party, for example, XYZ Fund*] is responsible for [*the subject matter*].

[*The engaging party, for example, the audit committee and management of XYZ Fund*] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement, for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*]. ***Additionally, [*identify the specified parties, for example, the audit committee and management of ABC Inc.*]***[27] ***has agreed to the procedures performed.***[28] This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. ***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.***[29]

[*Include paragraphs to enumerate procedures and findings*]

We were engaged by [*the engaging party, for example, the audit committee and management of XYZ Fund*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA ***and in accordance with the standards of the Public Company Accounting Oversight Board (United States)***. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

---

[27]Paragraph .31*b* of PCAOB AT section 201 requires that the practitioner's report include an identification of the specified parties.

[28]Paragraph .31*f* of PCAOB AT section 201 requires that the practitioner's report include a statement that the procedures performed were agreed to by the specified parties identified in the report.

[29]Paragraph .31*h* of PCAOB AT section 201 requires that the practitioner's report include a statement that the sufficiency of the procedures is solely the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures.

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We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.[30]

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

.36 A practitioner performing an attestation engagement for a nonissuer may be required by law or regulation, or may otherwise determine it is more appropriate to use the form of attestation report included in the PCAOB Interim Attestation Standards adjusted to reflect that the engagement was also performed in accordance with AICPA attestation standards. In these circumstances a practitioner may use the reports illustrated in paragraph .37.

.37 Following are illustrative attestation reports based on the illustrative reports in the PCAOB interim attestation standards.[31] The reports are marked to conform with the incremental reporting requirements in section 205, *Assertion-Based Examination Engagements*, section 210, *Review Engagements*, and section 215, *Agreed-Upon Procedures Engagements*, respectively. Additions to the reports are shown in ***bold italics*** and deletions are shown in ~~strike through~~. Such edits are intended to illustrate an attestation report that complies with the reporting requirements of both AICPA attestation standards and the PCAOB interim attestation standards.

[30]Paragraph .31*i* of PCAOB AT section 201 requires that the practitioner's report include a statement of restrictions on the use of the report because it is intended to be used solely by the specified parties.

[31]The illustrative attestation reports include the examination report in example 1 of appendix A, "Examination Reports," of AT section 101, *Attest Engagements*, the review report in example 1 of appendix B, "Review Reports," of AT section 101, and the agreed-upon procedures report in paragraph .32 of AT section 201, *Agreed-Upon Procedures Engagements*. [Footnote renumbered, November 2020, effective for agreed-upon procedures reports dated on or after July 15, 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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Examination Engagement

Independent Accountant's Report[32]

[Appropriate Addressee]

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

Our examination was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with*** attestation standards established by the AICPA. ***Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [identify the subject matter, for example, the schedule of investment returns] is in accordance with (or based on) the criteria, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [identify the subject matter, for example, the schedule of investment returns], whether due to fraud or error. The procedures*** ~~and, accordingly,~~ included examining, on a test basis, evidence supporting [*identify the subject matter — for example, XYZ Company's schedule of investment returns*] and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we obtained in our examination ***is sufficient and appropriate to provide*** a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

[*Practitioner's signature*]

[32] A firm registered with the PCAOB may use the title "Report of Independent Registered Public Accounting Firm," or another appropriate title that includes the word "independent."

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

~~*Practitioner's city and state*~~]

[*Date of practitioner's report*]

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Review Engagement

Independent Accountant's Report[33]

[Appropriate Addressee]

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

Our review was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with*** attestation standards established by the AICPA. ***Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [identify the subject matter — for example, the schedule of investment returns] in order for it to be in accordance with (or based on) the criteria. The procedures performed in*** ~~A~~ ***a*** review ***vary in nature and timing from and are*** ~~is~~ substantially less in ~~scope~~ ***extent*** than an examination, the objective of which is ***to obtain reasonable assurance about whether [identify the subject matter — for example, XYZ Company's schedule of investment returns] is in accordance with (or based on) the criteria, in all material respects and*** the expression of an opinion on [*identify the subject matter — for example, XYZ Company's schedule of investment returns*] ~~and to obtain reasonable assurance about whether [identify the subject matter—for example, XYZ Company's schedule of investment returns] is in accordance with (or based on) the criteria, in all material respects.~~ Accordingly, we do not express such an opinion. ***Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.***

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[Include a description of the work performed as a basis for the practitioner's 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.*]

[33]See footnote 32.

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Based on our review, ~~nothing came to our attention that caused us to believe that the~~***we are not aware of any material modifications that should be made to*** [*identify the subject matter — for example, schedule of investment returns of XYZ Company for the year ended December 31, 20XX*] ~~is~~***in order for it to be in accordance with (or based on)*** ~~not presented, in all material respects, in conformity with~~ [*identify the criteria — for example, the ABC criteria set forth in Note 1*].

[*Practitioner's signature*]

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

~~*Practitioner's city and state*~~]

[*Date of practitioner's report*]

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Agreed-Upon Procedures Engagement

Independent Accountant's Report on Applying Agreed-Upon Procedures[34]

[Appropriate Addressee]:

We have performed the procedures enumerated below, which were agreed to by the audit committees and managements of ABC Inc. and XYZ Fund, solely to assist you in evaluating 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. ***These parties have also acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in evaluating the accompanying Statement of Investment Performance Statistics of XYZ Fund.***[35] ***This report may not be suitable for any other purpose.***[36] ***The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.***[37] XYZ Fund's management is responsible for the statement of investment performance statistics. ***We were engaged by XYZ Fund to perform this agreed-upon procedures engagement.***[38] This agreed-upon procedures engagement was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with*** attestation standards established by the AICPA. 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.*]

We were not engaged to and did not conduct an examination ***or a review engagement***, the objective of which would be the expression of an opinion ***or conclusion, respectively,*** on the accompanying Statement of Investment Performance Statistics of XYZ Fund ***for the year ended December 31, 20XX***. 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.

---

[34]See footnote 32.

[35]Paragraph .34*f* of section 215 requires that the practitioner's agreed-upon procedures report include a statement that the engaging party acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement.

[36]Paragraph .34*h* of section 215 requires that the practitioner's agreed-upon procedures report include a statement that the practitioner's report may not be suitable for any other purpose.

[37]Paragraph .34*i* of section 215 requires that the practitioner's agreed-upon procedures report include a statement that the procedures performed may not address all items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

[38]Paragraph .34*c* of section 215 requires that the practitioner's agreed-upon procedures report include an identification of the engaging party.

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We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.[39]

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*]

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

~~*Practitioner's city and state*~~]

[*Date of practitioner's report*]

[Issue Date: May 2017. Revised: February 2018. Revised, November 2020, effective for agreed-upon procedures reports dated on or after July 15, 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 21 and 22.]

[39]Paragraph .34*r* of section 215 requires that the practitioner's agreed-upon procedures report include a statement that the practitioner is required to be independent of the responsible party and to meet the practitioner's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement.

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AT-C Section 200

LEVEL OF SERVICE

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AT-C Section 205

Assertion-Based Examination Engagements

(Supersedes SSAE No. 18 section 205)

Source: SSAE No. 21; SSAE No. 23.

Effective for practitioners' assertion-based examination reports dated on or after June 15, 2022, unless otherwise indicated.

Introduction

.01 This section contains performance and reporting requirements and application guidance for assertion-based examination engagements. The requirements and guidance in this section supplement the requirements and guidance in section 105, *Concepts Common to All Attestation Engagements*. For purposes of applying this section, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as defined in section 105. If only one of these terms is applicable, that term is used.

Effective Date

.02 This section is effective for practitioners' assertion-based examination reports dated on or after June 15, 2022.

Objectives

.03 In conducting an assertion-based examination engagement, the objectives of the practitioner are to do the following:

a. Obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement

b. Express an opinion in a written report about whether

   i. the subject matter is in accordance with (or based on) the criteria, in all material respects, or

   ii. the responsible party's assertion is fairly stated, in all material respects.

c. Communicate further as required by relevant AT-C sections.

Definitions

.04 For purposes of this section, the following terms have the meanings attributed as follows:

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Appropriateness of evidence. The measure of the quality of evidence, that is, its relevancy and reliability in providing support for the practitioner's opinion.

Modified opinion. A qualified opinion, an adverse opinion, or a disclaimer of opinion.

Risk of material misstatement. The risk that the subject matter is not in accordance with (or based on) the criteria in all material respects or that the assertion is not fairly stated, in all material respects.

Sufficiency of evidence. 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.

Test of controls. A procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements in the subject matter.

Requirements

Conduct of an Assertion-Based Examination Engagement

.05 In performing an assertion-based examination engagement, the practitioner should comply with this section, section 105, and any subject-matter AT-C section that is relevant to the engagement. A subject-matter AT-C section is relevant to the engagement when it is in effect, and the circumstances addressed by the AT-C section exist. (Ref: par. .A1)

Preconditions for an Assertion-Based Examination Engagement

.06 Section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards, unless the practitioner is required by law or regulation to accept the engagement.[1] When the practitioner is not independent but is required by law or regulation to accept the engagement, 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.

Agreeing on the Terms of the Engagement

.07 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)

.08 The agreed-upon terms of the engagement should include the following:

a. The objective and scope of the engagement

[1]Paragraph .28 of section 105, *Concepts Common to All Attestation Engagements*.

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b. The responsibilities of the practitioner (Ref: par. .A3)

c. A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA

d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. .A4–.A5)

e. A statement about the inherent limitations of an examination engagement (Ref: par. A6)

f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter

g. An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

.09 Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.

Requesting a Written Assertion

.10 The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the underlying subject matter against the criteria. The practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .84 requires the practitioner to withdraw from the engagement when withdrawal is possible under applicable law or regulation. When the engaging party is not the responsible party, and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement. In that case, paragraph .86 requires the practitioner to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party. (Ref: par. .A7–.A12 and .A107)

Planning and Performing the Engagement

.11 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. .A13–.A16)

.12 In establishing the overall engagement strategy, the practitioner should do the following:

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

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b. Consider the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts

c. Consider the results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant

d. Ascertain the nature, timing, and extent of resources necessary to perform the engagement

.13 The practitioner should develop a plan that includes a description of the following items:

a. The nature, timing, and extent of planned risk assessment procedures

b. The nature, timing, and extent of planned further procedures (see paragraph .22)

c. Other planned procedures that are required to be carried out so that the engagement complies with the attestation standards

Risk Assessment Procedures

.14 The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to do the following: (Ref: par. .A17–.A18)

a. Enable the practitioner to identify and assess the risks of material misstatement in the subject matter information

b. Provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's opinion

.15 In obtaining an understanding of the subject matter in accordance with paragraph .14, the practitioner should obtain an understanding of internal control over the preparation of the subject matter relevant to the engagement. This includes evaluating the design of those controls relevant to the subject matter and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter.

.16 The practitioner should make inquiries of the responsible party regarding whether the responsible party has

a. an internal audit function. If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter.

b. used any specialists in the preparation of the subject matter.

Materiality in Planning and Performing the Engagement

.17 The practitioner should consider materiality when establishing the overall engagement strategy; determining the nature, timing, and extent of procedures; and evaluating whether

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the subject matter is in accordance with (or based on) the criteria, in all material respects, or the assertion is fairly stated, in all material respects. (Ref: par. .A19–.A25)

.18 The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.

Identifying Risks of Material Misstatement

.19 The practitioner should identify and assess risks of material misstatement as the basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .A26–.A27)

a. are responsive to assessed risks of material misstatement and

b. allow the practitioner to obtain reasonable assurance to support the practitioner's opinion.

Responding to Assessed Risks and Obtaining Evidence

.20 To obtain reasonable assurance, the practitioner should obtain sufficient appropriate evidence to reduce attestation risk to an acceptably low level and thereby enable the practitioner to draw reasonable conclusions on which to base the practitioner's opinion.

.21 The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter or assertion. (Ref: par. .A28–.A29)

Further Procedures

.22 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.

.23 In designing and performing further procedures in accordance with paragraph .22, the practitioner should do the following:

a. Consider the reasons for the assessment given to the risk of material misstatement, including

    i. the likelihood of material misstatement due to the particular characteristics of the subject matter and

    ii. whether the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures

b. Obtain more persuasive evidence the higher the practitioner's assessment of risk

.24 When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If

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a. evidence obtained from one source is inconsistent with that obtained from another,

b. the practitioner has doubts about the reliability of information to be used as evidence, or

c. responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible), then the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.

Tests of Controls

.25 The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if any of the following apply:

a. The practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures.

b. Procedures other than tests of controls cannot alone provide sufficient appropriate evidence.

c. The subject matter is internal control.

.26 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

a. the tests of controls that have been performed provide an appropriate basis for reliance on the controls,

b. additional tests of controls are necessary, or

c. the potential risks of misstatement need to be addressed using other procedures.

Procedures Other Than Tests of Controls

.27 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.

Analytical Procedures Performed in Response to Assessed Risks

.28 When designing and performing analytical procedures in response to assessed risks, the practitioner should do the following: (Ref: par. .A30–.A31)

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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;

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

c. Develop an expectation that is sufficiently precise to identify possible material misstatements (taking into account whether analytical procedures are to be performed alone or in combination with tests of details).

.29 If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should investigate such differences by doing the following:

a. Inquiring of the responsible party and obtaining additional evidence relevant to its responses

b. Performing other procedures as necessary in the circumstances.

Procedures Regarding Estimates

.30 Based on the assessed risks of material misstatement, the practitioner should evaluate the following:

a. Whether the responsible party has appropriately applied the requirements of the criteria relevant to any estimated amounts

b. Whether the methods for making estimates are appropriate and have been applied consistently and whether changes, if any, in reported estimates or in the method for making them from the prior period, if applicable, are appropriate in the circumstances

.31 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:

a. Determine whether events occurring up to the date of the practitioner's report provide evidence regarding the estimate.

b. Test how the responsible party made the estimate and the data on which it is based. In doing so, the practitioner should evaluate whether the

   i. method of measurement used is appropriate in the circumstances,

   ii. assumptions used by the responsible party are reasonable, and

   iii. data on which the estimate is based are sufficiently reliable for the practitioner's purposes.

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c. Test the operating effectiveness of the controls over how the responsible party made the estimate, together with other appropriate further procedures.

d. Develop a point estimate or a range to evaluate the responsible party's estimate. For this purpose, if the practitioner

   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.

   ii. concludes that it is appropriate to use a range, the practitioner should narrow the range, based on evidence available, until all outcomes within the range are considered reasonable.

Sampling

.32 If sampling is used, the practitioner should, when designing the sample, consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn. Sampling involves the following: (Ref: par. .A32)

a. Determining a sample size sufficient to reduce sampling risk to an acceptably low level

b. Selecting items for the sample in such a way that the practitioner can reasonably expect the sample to be representative of the relevant population and likely to provide the practitioner with a reasonable basis for conclusions about the population

c. Treating a selected item to which the practitioner is unable to apply the designed procedures or suitable alternative procedures as a deviation from the prescribed control in the case of tests of controls or a misstatement in the case of tests of details

d. Investigating the nature and cause of deviations or misstatements identified and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement

e. Evaluating the results of the sample, including sampling risk and projecting misstatements found in the sample to the population

f. Evaluating whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested

Fraud, Laws, and Regulations

.33 The practitioner should do the following:

a. Consider whether risk assessment procedures and other procedures related to understanding the subject matter indicate risk of material misstatement due to fraud or noncompliance with laws or regulations

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b. Make inquiries of the appropriate party to determine whether the party has knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter

c. Evaluate whether there are unusual or unexpected relationships within the subject matter, or between the subject matter and other related information, that indicate risks of material misstatement due to fraud or noncompliance with laws or regulations

d. Evaluate whether other information obtained indicates risk of material misstatement due to fraud or noncompliance with laws or regulations

.34 The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .A33–.A34)

Revision of Risk Assessment

.35 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. .A35–.A36)

Evaluating the Reliability of Information Produced by the Entity

.36 When using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary, the following: (Ref: par. .A37–.A38)

a. Obtaining evidence about the accuracy and completeness of the information

b. Evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes

Using the Work of a Practitioner's Specialist

.37 When the practitioner expects to use the work of a practitioner's specialist, the practitioner should do the following:

a. Evaluate whether the practitioner's specialist has the necessary competence, capabilities, and objectivity for the practitioner's purposes. In the case of a practitioner's external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner's specialist. (Ref: par. .A39–.A42)

b. Obtain a sufficient understanding of the field of expertise of a practitioner's specialist to enable the practitioner to (Ref: par. .A43)

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i. determine the nature, scope, and objectives of that specialist's work for the practitioner's purposes and

ii. evaluate the adequacy of that work for the practitioner's purposes.

c. Agree with the practitioner's specialist regarding (Ref: par. .A44)

i. the nature, scope, and objectives of that practitioner's specialist's work;

ii. the respective roles and responsibilities of the practitioner and that specialist;

iii. the nature, timing, and extent of communication between the practitioner and that specialist, including the form of any report or documentation to be provided by that specialist; and

iv. the need for the practitioner's specialist to observe confidentiality requirements.

d. Evaluate the adequacy of the work of the practitioner's specialist for the practitioner's purposes, including

i. the relevance and reasonableness of the findings and conclusions of the practitioner's specialist and their consistency with other evidence;

ii. if the work of the practitioner's specialist involves the use of significant assumptions and methods

1. obtaining an understanding of those assumptions and methods and

2. evaluating the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the practitioner's specialist, and in relation to the practitioner's other findings and conclusions; and

iii. if the work of the practitioner's specialist involves the use of source data that are significant to the work of the practitioner's specialist, the relevance, completeness, and accuracy of that source data.

.38 If the practitioner determines that the work of the practitioner's specialist is not adequate for the practitioner's purposes, the practitioner should

a. agree with the practitioner's specialist on the nature and extent of further work to be performed by the practitioner's specialist or

b. perform additional procedures appropriate to the circumstances.

.39 The nature, timing, and extent of the procedures a practitioner performs when the practitioner expects to use the work of a practitioner's specialist will vary depending on the circumstances. In determining the nature, timing, and extent of those procedures, the practitioner should consider the following: (See section 105.)[2]

[2]Paragraph .37 of section 105.

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a. The significance of that specialist's work in the context of the engagement (see also paragraphs .A45–.A46)

b. The nature of the matter to which that specialist's work relates

c. The risks of material misstatement in the matter to which that specialist's work relates

d. The practitioner's knowledge of, and experience with, previous work performed by that specialist

e. Whether that specialist is subject to the practitioner's firm's quality management policies and procedures (see also paragraph .A47)

[As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Using the Work of Internal Auditors

.40 When the practitioner expects to use the work of the internal audit function in obtaining evidence or to use internal auditors to provide direct assistance, the practitioner should determine whether the work can be used for purposes of the assertion-based examination by evaluating the following: (Ref: par. .A48–.A50)

a. The level of competence of the internal audit function or the individual internal auditors providing direct assistance

b. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal audit function or for internal auditors providing direct assistance, the existence of threats to the objectivity of those internal auditors and the related safeguards applied to reduce or eliminate those threats

c. When using the work of the internal audit function, the application by the internal audit function of a systematic and disciplined approach, including quality management

[As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.41 When using the work of the internal audit function, the practitioner should perform sufficient procedures on the body of work of the internal audit function as a whole that the practitioner plans to use to determine its adequacy for the purpose of the assertion-based examination engagement. This includes reperforming some of the body of work of the internal audit function that the practitioner intends to use in obtaining evidence.

.42 Prior to using internal auditors to provide direct assistance, the practitioner should obtain written acknowledgment from the responsible party that internal auditors providing direct assistance to the practitioner will be allowed to follow the practitioner's instructions,

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and that the responsible party will not intervene in the work the internal auditor performs for the practitioner.

.43 When using internal auditors to provide direct assistance to the practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.

.44 Because the practitioner has sole responsibility for the opinion expressed, the practitioner should make all significant judgments in the assertion-based examination engagement, including when to use the work of the internal audit function in obtaining evidence. To prevent undue use of the internal audit function in obtaining evidence, the external auditor should plan to use less of the work of the function and perform more of the work directly in the following circumstances:

a. The more judgment is involved in
   i. planning and performing relevant procedures or
   ii. evaluating the evidence obtained
b. the higher the assessed risk of material misstatement;
c. the less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors
d. the lower the level of competence of the internal audit function.

.45 Before the conclusion of the engagement, the practitioner should evaluate whether the use of the work of the internal audit function or the use of internal auditors to provide direct assistance results in the practitioner still being sufficiently involved in the assertion-based examination given the practitioner's sole responsibility for the opinion expressed.

Evaluating the Results of Procedures

.46 The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. .A51–.A52)

.47 The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A53–.A57)

.48 If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable law or regulation. The practitioner should apply the requirements in paragraphs .70–.86 when a scope limitation exists and the practitioner is determining the type of opinion to be issued.

Considering Subsequent Events and Subsequently Discovered Facts

.49 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

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by the assertion-based examination engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. If so, the practitioner should apply other appropriate procedures to obtain evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A58–.A60)

.50 The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A61–.A62)

Written Representations

.51 The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A63–.A66)

a. Include the responsible party's assertion about the subject matter based on the criteria. (Ref: par. .A107)

b. State that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.

c. State that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.

d. Acknowledge responsibility for

    i. the subject matter and the responsible party's assertion;

    ii. selecting the criteria, when applicable; and

    iii. determining that such criteria are suitable, will be available to the intended users, and appropriate for the purpose of the engagement.

e. State that the responsible party has disclosed to the practitioner

    i. all deficiencies in internal control relevant to the engagement of which the responsible party is aware;

    ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and

    iii. other matters as the practitioner deems appropriate.

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f. State that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner. (Ref: par. .A65)

g. State that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.

h. If applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. .A66)

i. If applicable, state that significant assumptions used in making any material estimates are reasonable.

.52 When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .51 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .51 (Ref: par. .A67)

.53 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party in addition to those requested from the responsible party in the form of a letter addressed to the practitioner. The representations should do the following:

a. Acknowledge that the responsible party is responsible for the subject matter being in accordance with the criteria and for its assertion

b. Acknowledge the engaging party's responsibility for selecting the criteria

c. Acknowledge the engaging party's responsibility for determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement

d. State that the engaging party is not aware of any material misstatements in the subject matter information or assertion

e. State that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion. (Ref: par. .A65)

f. Address other matters as the practitioner deems appropriate

.54 When written representations are directly related to matters that are material to the subject matter, the practitioner should

a. evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written) and

b. consider whether those making the representations can be expected to be well informed on the particular matters.

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.55 The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's opinion.

Requested Written Representations Not Provided or Not Reliable

.56 When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. .A68–.A70)

a. Discuss the matter with the appropriate party

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

c. If any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the opinion in the practitioner's report

.57 When the engaging party is not the responsible party

a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory oral responses to the practitioner's inquiries performed in accordance with paragraph .52 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, the practitioner's report should contain a separate paragraph that restricts the use of the report to the engaging party. (Paragraphs .64–.66 contain requirements for the contents of such a paragraph.) (Ref: par. .A72)

b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .52, a scope limitation exists, and the practitioner should determine the effect on the report, or the practitioner should withdraw from the engagement. (Ref: par. .A72)

Other Information

.58 If prior to or after the release of the practitioner's report on subject matter or an assertion the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or report. If upon reading the other information, in the practitioner's professional judgment either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action as appropriate: (Ref: par. .A73–.A74)

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a. A material inconsistency between the other information and the subject matter, assertion, or the report exists

b. A material misstatement of fact exists in the other information, the subject matter, assertion, or report

Description of Criteria

.59 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A75–.A76)

Forming the Opinion

.60 The practitioner should form an opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the assertion is fairly stated, in all material respects. In forming that opinion, the practitioner should evaluate

a. the practitioner's conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. .A77)

b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A78)

.61 The practitioner should evaluate, based on the evidence obtained, whether the presentation of the subject matter or assertion is misleading within the context of the engagement. (Ref: par. .A79–.A80)

Preparing the Practitioner's Report

.62 The practitioner's report should be in writing. (Ref: par. .A81–.A84)

Content of the Practitioner's Report

.63 The practitioner's report should include the following, unless the practitioner is disclaiming an opinion, in which case, items .63*g* and .63*h* should be omitted:

a. A title that includes the word *independent*. (Ref: par. .A85)

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.

d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A86)

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e. A statement that identifies the responsible party and its responsibility for the subject matter being in accordance with (or based on) the criteria or for its assertion. (Ref: par. .A87)

f. A statement that the practitioner's responsibility is to express an opinion on the subject matter or assertion, based on the practitioner's examination. (Ref: par. .A88)

g. A statement that

    i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA. (Ref: par. .A89)

    ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether

        1. the subject matter is in accordance with (or based on) the criteria, in all material respects (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A90) or

        2. the responsible party's assertion is fairly stated, in all material respects.

    iii. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.

h. A description of the nature of an assertion-based examination engagement. (Ref: par. .A91–.A93)

i. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement. (Ref: par. .A94–.A95)

j. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A96)

k. The practitioner's opinion about whether (Ref: par. .A97–.A100)

    i. the subject matter is in accordance with (or based on) the criteria, in all material respects or

    ii. the responsible party's assertion is fairly stated, in all material respects

l. The manual or printed signature of the practitioner's firm.

m. The city and state where the practitioner's report is issued. (Ref: par. .A101)

n. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that

    i. the attestation documentation has been reviewed,

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ii. if applicable, the written presentation of the subject matter has been prepared, and

iii. the responsible party has provided a written assertion or, in the circumstances described in paragraph .A72, an oral assertion.) (Ref: par. .A102–.A103)

Restricted-Use Paragraph

.64 In the following circumstances, the practitioner's report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A104–.A106)

a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.

b. The criteria used to evaluate the subject matter are available only to specified parties.

c. The engaging party is not the responsible party, and the responsible party does not provide the written representations required by paragraph .51 but does provide oral responses to the practitioner's inquiries about the matters in paragraph .51, as provided for in paragraph .52 and .57*a*. In this case, the use of the practitioner's report should be restricted to the engaging party. (Ref: par. .A107)

.65 The alert should

a. state that the practitioner's report is intended solely for the information and use of the specified parties,

b. identify the specified parties for whom use is intended, and (Ref: par. .A108)

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A109–.A111)

.66 When the engagement is also performed in accordance with *Government Auditing Standards*, the alert that restricts the use of the practitioner's report should include the following information, rather than the information required by paragraph .65:

a. A description of the purpose of the report

b. A statement that the report is not suitable for any other purpose

.67 A practitioner should report on a written assertion or directly on the subject matter. If the opinion is modified because of a material misstatement, the practitioner should report directly on the subject matter, even when the assertion acknowledges the misstatement.

.68 If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report.

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Reference to the Practitioner's Specialist

.69 The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified opinion. (Ref: par. .A112)

Modified Opinions

.70 The practitioner should modify the opinion when either of the following circumstances exist and, in the practitioner's professional judgment, the effect of the matter is or may be material: (Ref: par. .A113–.A114)

a. The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is in accordance with (or based on) the criteria, in all material respects.

b. The practitioner concludes, based on evidence obtained, that the subject matter is not in accordance with (or based on) the criteria, in all material respects.

.71 When the practitioner modifies the opinion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the matter giving rise to the modification.

.72 The practitioner should express a qualified opinion when either of the following applies: (Ref: par. .A115–.A119)

a. The practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive to the subject matter.

b. The practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive.

.73 When the practitioner expresses a qualified opinion due to a material misstatement of the subject matter, the practitioner should state that, in the practitioner's opinion, except for the effects of the matter or matters giving rise to the modification, the subject matter is in accordance with (or based on) the criteria, in all material respects. When the modification arises from an inability to obtain sufficient appropriate evidence, the practitioner should use the corresponding phrase "except for the possible effects of the matter(s) ..." for the modified opinion.

.74 The practitioner should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.

.75 When the practitioner expresses an adverse opinion, the practitioner should state that, in the practitioner's opinion, because of the significance of the matter or matters giving rise to the modification, the subject matter is not in accordance with (or based on) the criteria, in all material respects.

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.76 If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.

.77 The practitioner should disclaim an opinion when the practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive. (Ref: par. .A120)

.78 When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner's report should state the following:

a. Because of the significance of the matter or matters giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for an examination opinion.

b. Accordingly, the practitioner does not express an opinion on the subject matter.

Description of the Practitioner's Responsibility When the Practitioner Expresses a Qualified or an Adverse Opinion

.79 When the practitioner expresses a qualified or an adverse opinion, the practitioner should amend the description of the practitioner's responsibility to state that the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's modified opinion.

Description of the Practitioner's Responsibility When the Practitioner Disclaims an Opinion

.80 When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner should amend the practitioner's report to state that the practitioner was engaged to examine the subject matter or assertion. The practitioner should also amend the description of the practitioner's responsibility and the description of an assertion-based examination to state only the following:

> Our responsibility is to express an opinion on the subject matter or assertion based on conducting the examination in accordance with attestation standards established by the AICPA. Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the subject matter is in accordance with (or based on) the criteria, in all material respects.

.81 If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter that causes the subject matter to be materially misstated, the practitioner should include in the practitioner's report a clear description of both the scope limitation and the matter that causes the subject matter to be materially misstated.

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.82 The practitioner's opinion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that opinion.

.83 When the opinion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner's opinion. The practitioner should indicate in the practitioner's report that such reference does not reduce the practitioner's responsibility for that opinion.

Responsible Party Refuses to Provide a Written Assertion

.84 If the engaging party is the responsible party and refuses to provide the practitioner with a written assertion as required by paragraph .10, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation.

.85 If law or regulation does not allow the practitioner to withdraw from the engagement, the practitioner should disclaim an opinion.

.86 When the engaging party is not the responsible party and the responsible party refuses to provide the practitioner with a written assertion, the practitioner may report on the subject matter but should disclose in the practitioner's report the responsible party's refusal to provide a written assertion and should restrict the use of the practitioner's report to the engaging party. (Ref: par. .A121–.A123)

Communication Responsibilities

.87 The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, uncorrected misstatements, and, when relevant to the subject matter, internal control deficiencies identified during the engagement. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A124)

.88 In the event the practitioner encounters known or suspected fraud or noncompliance with laws or regulations in connection with the engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct and applicable law prior to communicating such information either to the responsible party or the engaging party. (Ref: par. .A125–.A126)

Documentation

.89 The practitioner should prepare engagement documentation that is sufficient to determine the following: (Ref: par. .A127–.A130)

a. The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following:

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i. The identifying characteristics of the specific items or matters tested

ii. Who performed the engagement work and the date such work was completed

iii. The discussions with the responsible party or others about matters that, in the practitioner's professional judgment, are significant, including the nature of the significant matters discussed, and when and with whom the discussions took place

iv. When the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations or that the written representations are otherwise not reliable, the matters in paragraph .56

v. When the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .51, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .51, in accordance with paragraph .52

vi. Who reviewed the engagement work performed and the date and extent of such review

vii. If the practitioner identified information that is inconsistent with the practitioner's final opinion regarding a significant matter, how the practitioner addressed the inconsistency

b. The results of the procedures performed and the evidence obtained

c. If the engagement is subject to an engagement quality review

i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review and

ii. that the engagement quality review has been completed before the release of the practitioner's examination report

[As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.90 If, in circumstances such as those described in paragraph .50, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document the following:

a. The circumstances encountered

b. The new or additional procedures performed, evidence obtained, and conclusions reached, and their effect on the report

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c. When and by whom the resulting changes to the documentation were made and reviewed

Application and Other Explanatory Material

Conduct of an Assertion-Based Examination Engagement (Ref: par. .05)

.A1 For example, if a practitioner were examining prospective financial information, section 105, this section, and section 305, *Prospective Financial Information*, would be relevant.

Agreeing on the Terms of the Engagement (Ref: par. .07, .08*b*, .08*d*, and .08*e*)

.A2 It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.

.A3 A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:

a. A statement that an examination is designed to obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement

b. A statement that the objective of an examination is the expression of an opinion in a written practitioner's report about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or whether the responsible party's assertion is fairly stated, in all material respects

.A4 Situations may exist in which the responsible party is not the engaging party and, as such, the responsibilities of each party may differ. For example, when the responsible party is not the engaging party, the engaging party, rather than the responsible party, may be responsible for selecting the criteria.

.A5 The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. Regardless of whether the practitioner recommends, develops, or assists in developing or selecting the criteria for the engagement, the engaging party is required to take responsibility for the criteria.

.A6 If relevant, a statement about the inherent limitations of an examination engagement may indicate that "because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards."

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Requesting a Written Assertion (Ref: par. .10)

.A7 What constitutes a reasonable basis for the responsible party's assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the responsible party with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the responsible party's own processes to have a reasonable basis for its assertion.

.A8 The language of the responsible party's written assertion in paragraph .10 may need to be tailored to reflect the nature of the underlying subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .10 include the following:

- The subject matter is presented in accordance with (or based on) the criteria.
- The subject matter achieved the objectives, for example, when the objectives are the criteria.
- The subject matter is presented fairly, based on the criteria.

.A9 Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner's report. Such persons may contend 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 request a written assertion from the responsible party that covers the entire relevant period or periods still applies.

.A10 Paragraph .51*a* requires the practitioner to request a written representation from the responsible party that is the same as the responsible party's assertion. If the responsible party provides the practitioner with the written representation in paragraph .51*a*, the practitioner need not request a separate written assertion unless a separate written assertion is called for by the engagement circumstances.

.A11 A practitioner may also be engaged to assist the responsible party in measuring or evaluating the subject matter against the criteria in connection with the responsible party providing a written assertion.

.A12 Regardless of the procedures performed by the practitioner, the responsible party is required to accept responsibility for its assertion and the subject matter. An assertion based solely on the practitioner's procedures would not be considered a reasonable basis for the assertion.[3]

[3]The "Nonattest Services" subtopic (ET sec. 1.295) of the AICPA Code of Professional Conduct addresses the practitioner's provision of nonattest services for an attest client.

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Planning and Performing the Engagement (Ref: par. .11)

.A13 Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists in developing

- an overall strategy for the scope, timing, and conduct of the engagement and
- an engagement plan, consisting of a detailed approach for the nature, timing, and extent of procedures to be performed.

Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner.

Adequate planning also assists the practitioner in properly assigning work to engagement team members, including participating practitioners, and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by others, such as referred-to practitioners and practitioner's specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

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

[As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A14 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

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personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

.A15 Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. Because of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures.

.A16 In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of and communication among team members is easier. In such cases, establishing the overall engagement strategy need not be a complex or time-consuming exercise; it varies according to the size of the entity, complexity of the engagement, and size of the engagement team.

Risk Assessment Procedures (Ref: par. .14)

.A17 Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when doing the following:

- Considering the characteristics of the subject matter
- Assessing the suitability of criteria
- Considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist)
- Establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors
- Developing expectations when performing analytical procedures
- Designing and performing procedures
- Evaluating evidence, including the reasonableness of the written representations received by the practitioner

.A18 In assessing inherent risk, the practitioner may consider factors relevant to assertion-based examination engagements, such as the following:

- The complexity of the subject matter or assertion

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- The length of time during which the entity has had experience with the subject matter or assertion
- Prior experience with the entity's assessment of the subject matter or assertion

Materiality in Planning and Performing the Engagement (Ref: par. .17–.18)

.A19 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.

.A20 Professional judgments about materiality are made considering surrounding circumstances, but they are not affected by the level of assurance, that is, for the same intended users, materiality for an assertion-based examination engagement is the same as it is for a review engagement because materiality is based on the information needs of intended users and not the level of assurance.

.A21 In general, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by intended users 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. For purposes of determining materiality, the practitioner may assume that intended users

a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.

b. understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that they have an understanding of any materiality concepts included in the criteria.

c. understand any inherent uncertainties involved in measuring or evaluating the subject matter.

d. make reasonable judgments based on the subject matter.

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.

.A22 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, for example, the wording chosen does not omit or distort the information

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- The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation
- The nature of a misstatement, for example, the nature of observed deviations in the operation of a control when the responsible party asserts that the control is effective
- Whether a misstatement affects compliance with laws or regulations
- In the case of periodic reporting on a subject matter, whether the effect of an adjustment affects past or current information about the subject matter or is likely to affect future information about the subject matter
- Whether a misstatement is the result of an intentional act or is unintentional
- Whether a misstatement is significant with regard to the practitioner's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter
- Whether a misstatement relates to the relationship between the responsible party, and if different, the engaging party or its relationship with other parties

.A23 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
- otherwise related to numerical values, for example, the number of observed deviations in the operation of a control when the assertion-based examination involves the effectiveness of the control.

.A24 When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner's understanding of the subject matter and the responsible party, updated during the performance of the risk assessment procedures, and consideration of the nature and extent of misstatements identified in previous attestation engagements.

.A25 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 .A19–.A24. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

Identifying Risks of Material Misstatement (Ref: par. .19)

.A26 Most of the practitioner's work in forming an opinion consists of obtaining and evaluating evidence. Procedures to obtain evidence can include inspection, observation,

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confirmation, recalculation, reperformance, and analytical procedures, often in some combination, in addition to inquiry.

.A27 In some cases, a subject-matter-specific section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter-specific section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

Responding to Assessed Risks and Obtaining Evidence (Ref: par. .21)

.A28 Overall responses to address the assessed risks of material misstatement of the subject matter or assertion may include the following:

- Emphasizing to the engagement team the need to maintain professional skepticism
- Assigning more experienced staff or those with specialized skills or using specialists
- Providing more supervision
- Incorporating additional elements of unpredictability in the selection of further procedures to be performed
- Making changes to the nature, timing, or extent of procedures (for example, performing procedures at period-end instead of at an interim date or modifying the nature of procedures to obtain more persuasive evidence)

.A29 The assessment of the risks of material misstatement of the subject matter or assertion is affected by the practitioner's understanding of the control environment. An effective control environment may allow the practitioner to have more confidence in internal control and the reliability of evidence generated internally within the entity and, thus, for example, may allow the practitioner to conduct some procedures at an interim date, rather than at the period-end. Deficiencies in the control environment, however, have the opposite effect. For example, the practitioner may respond to an ineffective control environment by doing the following:

- Conducting more procedures as of the period-end, rather than at an interim date
- Obtaining more extensive evidence from procedures other than tests of controls
- Increasing the number of locations to be included in the scope of the assertion-based examination

Analytical Procedures Performed in Response to Assessed Risks (Ref: par. .28)

.A30 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.

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.A31 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.

Sampling (Ref: par. .32)

.A32 The AICPA Audit Guide *Audit Sampling* provides guidance that may be useful to a practitioner who has decided to use sampling in performing attestation procedures.

Fraud, Laws, and Regulations (Ref: par. .34)

.A33 In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example, do the following:

- Discuss the matter with the appropriate party
- Request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator
- Consider the implications of the matter in relation to other aspects of the engagement, including the practitioner's risk assessment and the reliability of written representations from the responsible party
- Obtain legal advice about the consequences of different courses of action
- Communicate with third parties (for example, a regulator)
- Withdraw from the engagement

.A34 The actions noted in paragraph .A33 may also be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may be appropriate to describe the matter in a separate paragraph in the practitioner's report, unless either of the following apply:

a. The practitioner is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraphs .70*a* and .77 apply.

b. The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .70*b* and .76 apply.

Revision of Risk Assessment (Ref: par. .35)

.A35 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

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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.

.A36 The practitioner may become aware of a matter that causes the practitioner to believe the subject matter may be materially misstated, for example, when performing analytical procedures, the practitioner identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expectations.

Evaluating the Reliability of Information Produced by the Entity (Ref: par. .36)

.A37 Reliable information is sufficiently accurate and complete.

.A38 Obtaining evidence about the accuracy and completeness of information produced by the entity may be accomplished concurrently with the actual procedure applied to the information when obtaining such evidence is an integral part of the procedure itself. In other situations, the practitioner may have obtained evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the practitioner may determine that additional procedures are needed.

Using the Work of a Practitioner's Specialist

The Competence, Capabilities, and Objectivity of a Practitioner's Specialist (Ref: par. .37a)

.A39 Information regarding the competence, capabilities, and objectivity of a practitioner's specialist may come from a variety of sources, such as the following:

- Personal experience with previous work of that specialist
- Discussions with that specialist
- Discussions with other practitioners or others who are familiar with that specialist's work
- Knowledge of that specialist's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition
- Published papers or books written by that specialist
- The firm's quality management policies and procedures

[As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A40 Although a practitioner's specialist does not require the same proficiency as the practitioner in performing all aspects of an assertion-based examination engagement, a practitioner's specialist whose work is used may need a sufficient understanding of relevant

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AT-C sections to enable that specialist to relate the work assigned to that specialist to the engagement objective.

.A41 The evaluation of the significance of threats to objectivity and 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 assertion-based examination engagement a practitioner's specialist is an individual who has played a significant role in measuring, evaluating, or disclosing the subject matter.

.A42 When evaluating the objectivity of a practitioner's external specialist, it may be relevant to do the following:

- Inquire of the appropriate party about any known interests or relationships that the appropriate party has with the practitioner's external specialist that may affect that specialist's objectivity
- Discuss with that specialist any applicable safeguards, including any professional requirements that apply to that specialist, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the practitioner's specialist include
  - — financial interests.
  - — business and personal relationships.
  - — provision of other services by the specialist, including by the organization in the case of an external specialist that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external specialist about any interests or relationships with the appropriate party of which that specialist is aware.

Obtaining an Understanding of the Field of Expertise of a Practitioner's Specialist (Ref: par. .37b)

.A43 Aspects of a practitioner's specialist's field of expertise relevant to the practitioner's understanding may include the following:

- Whether that specialist's field has areas of specialty within it that are relevant to the engagement
- Whether any professional or other standards and regulatory or legal requirements apply
- What assumptions and methods, including models, when applicable, are used by the practitioner's specialist and whether they are generally accepted within that specialist's field and appropriate in the circumstances of the engagement

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- The nature of internal and external data or information the practitioner's specialist uses

Agreement With a Practitioner's Specialist (Ref: par. .37c)

.A44 The matters noted in paragraph .A46 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.

Integrating the Work of a Practitioner's Specialist (Ref: par. .39a)

.A45 Assertion-based examination engagements may be performed on a wide range of subject matters that require specialized skills and knowledge beyond those possessed by the practitioner and for which the work of a practitioner's specialist is used. In some situations, the practitioner's specialist will be consulted to provide advice on an individual matter, but the greater the significance of the work of the practitioner's specialist in the context of the engagement, the more likely it is that the specialist will work as part of a multidisciplinary team comprising subject-matter specialists and other attestation personnel. The more that specialist's work is integrated in nature, timing, and extent with the overall work effort, the more important effective two-way communication is between the practitioner's specialist and other attestation personnel. Effective two-way communication facilitates the proper integration of the specialist's work with the work of others on the engagement.

.A46 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 .37 at the engagement acceptance or continuance stage. In particular, this is appropriate 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.

The Practitioner's Firm's Quality Management Policies and Procedures (Ref: par. .39e)

.A47 Engagement teams are entitled to rely on their own firm's system of quality management, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner's procedures with respect to matters, such as the following:

- The practitioner's evaluation of the objectivity of the practitioner's internal specialist. (The practitioner's internal specialists are subject to relevant ethical requirements, including those pertaining to independence.)
- The practitioner's evaluation of the adequacy of the practitioner's internal specialist's work. (For example, the firm's training programs may provide the practitioner's internal specialists with an appropriate understanding of the interrelationship of their expertise with the evidence-gathering process. Reliance on such training and other firm processes, such as protocols for scoping the work of the practitioner's internal

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specialists, may affect the nature, timing, and extent of the practitioner's procedures to evaluate the adequacy of the practitioner's specialist's work.)

- Adherence to regulatory and legal requirements through monitoring processes.
- Agreement with the practitioner's specialist.

Such reliance does not reduce the practitioner's responsibility to meet the requirements of this section. [As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Using the Work of Internal Auditors (Ref: par. .40)

.A48 Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it is performed by the entity or a third-party service provider are sole determinants of whether the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.

.A49 A practitioner planning to use the work of the internal audit function to obtain evidence may find it effective and efficient to discuss the planned use of the work with the internal audit function as a basis for coordinating activities.

.A50 The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner's use of the work of internal auditors on the engagement. The objectivity and competence of internal auditors are important in determining whether to use their work and, if the practitioner decides to use their work, the nature and extent of the use of their work. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for a low degree of objectivity. Additionally, neither a high level of competence nor strong support for the objectivity of the internal auditors compensates for the lack of a systematic and disciplined approach when using the work of the internal audit function.

Evaluating the Results of Procedures (Ref: par. .46–.47)

.A51 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 .60*b*)

.A52 "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate

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and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

.A53 Sufficient appropriate evidence is necessary to support the practitioner's opinion and report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality management procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party. Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party. *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 to provide a requested representation) is considered by the practitioner and, therefore, also constitutes evidence. [As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A54 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.

.A55 *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 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:

- Evidence is more reliable when it is obtained from independent sources outside the appropriate party.
- Evidence that is generated internally is more reliable when the related controls are effective.
- Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
- 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).

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- Evidence provided by original documents is more reliable than evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.

.A56 Evidence obtained from different sources or of a different nature ordinarily provides more assurance than evidence from items considered individually. In addition, obtaining evidence from different sources or of a different nature may indicate that an individual item of evidence is not reliable. For example, corroborating information obtained from a source independent of the responsible party may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.

.A57 Whether sufficient appropriate evidence has been obtained on which to base the practitioner's opinion is a matter of professional judgment.

Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. .49–.50)

.A58 For certain subject-matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.

.A59 Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information

- contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies.
- obtained through other professional engagements for that entity.

.A60 If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner's report from being misled, appropriate actions the practitioner may take include the following:

- Disclosing the event in the practitioner's report and modifying the practitioner's opinion
- Withdrawing from the engagement

.A61 Subsequent to the date of the practitioner's report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine if the facts existed at the date of the report and, if so, whether persons who would attach importance to these facts are currently using, or are likely to use, the report and related subject matter or assertion. This may include discussing the matter with the appropriate party and requesting the appropriate party's cooperation in whatever

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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 date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter or assertion needs revision and whether the previously issued report continues to be appropriate.

.A62 Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner's report is necessary. This may be the case, for example, when

a. the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and

b. issuance of a subsequent report is not imminent.

If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends upon the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.

Written Representations (Ref: par. .51–.52, .53*e*, and .57*a*)

.A63 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A64 Representations by the responsible party cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.

.A65 A discussion of what is considered a material effect on the subject matter or assertion may be included explicitly in the representation letter in qualitative or quantitative terms.

.A66 A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.

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.A67 Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .52 and .57*a* (making inquiries of the responsible party and restricting the use of the practitioner's report).

Requested Written Representations Not Provided or Not Reliable (Ref: par. .56–.57)

.A68 The engaging party's refusal to furnish written representations constitutes a limitation on the scope of the assertion-based examination. Such refusal is often sufficient to preclude an unmodified opinion and, particularly with respect to the representations in paragraph .53, may cause a practitioner to disclaim an opinion or withdraw from the engagement when withdrawal is possible under applicable law or regulation. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate.

.A69 Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:

- When the engaging party does not have a relationship with the responsible party
- When the assertion-based examination is undertaken against the wishes of the responsible party, for example, when required by law or regulation

In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the evidence to support a conclusion that the responsible party has taken responsibility for the subject matter. (Ref: par. .48, .72*b*, and .77)

.A70 After performing the procedures in items (*a*)–(*b*) of paragraph .56 the practitioner may determine that an oral representation may provide evidence needed with respect to the matter addressed by the representation, for example, when the engaging party is not the responsible party.

.A71 Even when the responsible party provides oral responses to the matters in paragraph .51, the practitioner may find it appropriate to consider whether there are significant concerns about the competence, integrity, ethical values, or diligence of those providing the oral responses or whether the oral responses are otherwise not reliable and the potential effect, if any, on the practitioner's report.

.A72 Paragraph .10 provides an exception to the requirement for a written assertion when the engaging party is not the responsible party. Nonetheless, because the assertion is the representation called for by paragraph .51*a*, application of paragraph .57*a* requires the practitioner to obtain an oral assertion when a written assertion is not obtained. Paragraph .57*b* applies when the responsible party provides neither a written nor an oral assertion.

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Other Information (Ref: par. .58)

.A73 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:

- Requesting the appropriate party to consult with a qualified third party, such as the appropriate party's legal counsel
- Obtaining legal advice about the consequences of different courses of action
- If required or permissible, communicating with third parties (for example, a regulator)
- Describing the material inconsistency in the practitioner's report
- Withdrawing from the engagement, when withdrawal is possible under applicable laws and regulations.

.A74 Other information does not include information contained on the appropriate party's website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .58.

Description of Criteria (Ref: par. .59)

.A75 The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences among various criteria regarding how particular matters may be treated in the subject matter.

.A76 A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.

Forming the Opinion (Ref: par. .60–.61)

.A77 The practitioner's professional judgment regarding what constitutes sufficient appropriate evidence is influenced by such factors as the following:

- The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter or assertion
- The effectiveness of the responsible party's responses to address the known risks
- The experience gained during previous examination or review engagements with respect to similar potential misstatements
- The results of procedures performed, including whether such procedures identified specific misstatements
- The source and reliability of the available information

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- The persuasiveness of the evidence
- The practitioner's understanding of the responsible party and its environment

.A78 An assertion-based examination engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner's attention. Examples of such information include the following:

- 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.)
- The practitioner may become aware of discrepancies in relevant information or conflicting or missing evidence.
- Procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.

.A79 In making the evaluation required by paragraph .61, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:

- The measurement or evaluation methods used when the criteria allow for choice among methods
- Significant interpretations made in applying the criteria in the engagement circumstances
- Subsequent events, depending on their nature and significance
- Whether there have been any changes in the measurement or evaluation methods used

.A80 Paragraph .61 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter, assertion, or criteria or all matters intended users may consider in making decisions based on the presentation.

Preparing the Practitioner's Report (Ref: par. .62)

.A81 Oral and other forms of expressing an opinion can be misunderstood without the support of a written practitioner's report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the internet.

.A82 This section does not require a standardized format for reporting on all assertion-based examination engagements. Instead, it identifies the basic elements that the

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practitioner's report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.

.A83 The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraphs .63–.64 of this section or may issue a report that expands on or supplements those elements. In addition to the basic elements, the report may include information or explanations that are not intended to affect the practitioner's opinion, for example, detail about the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, a description of the procedures the practitioner performed, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .82, additional information, such as recommendations, is clearly separated from the practitioner's opinion and phrased in a manner that makes clear that it is not intended to detract from the opinion.

.A84 All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .76 exist:

The practitioner's report may state that the practitioner examined	and	expresses an opinion on
the subject matter		the subject matter
the responsible party's assertion		the responsible party's assertion
the responsible party's assertion		the subject matter

Content of the Practitioner's Report

Title (Ref: par. .63a)

.A85 A title indicating that the practitioner's report is the report of an independent practitioner (for example, "Independent Practitioner's Report," "Report of Independent Certified Public Accountant," or "Independent Accountant's Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

Criteria (Ref: par. .63d)

.A86 The practitioner's report may include the criteria or refer to them if they are included in the subject matter presentation, in the assertion, or are otherwise readily available. It may be relevant in the circumstances to disclose the source of the criteria or the relevant matters discussed in paragraph .A79.

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Relevant Responsibilities (Ref: par. .63e–f)

.A87 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.

.A88 The practitioner may wish to expand the discussion of the responsible party's responsibility, for example, to indicate that the responsible party is responsible for the preparation and presentation of the subject matter in accordance with (or based on) the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error.

Statement About the Subject Matter and the Criteria (Ref: par. .63gii1)

.A89 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, section 320, *Reporting on an Examination of Controls Relevant to User Entities' Internal Control Over Financial Reporting*, of the attestation standards established by the AICPA.

.A90 The language in paragraph .63*g*ii1 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 .63*g*ii1 include, "to obtain reasonable assurance about whether

- the subject matter is presented in accordance with (or based on) the criteria, in all material respects."
- the subject matter achieves the objectives, in all material respects." (For example, when the objectives are the criteria)
- the subject matter is presented fairly, in all material respects, based on the criteria." (The practitioner's professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)

Description of the Nature of an Assertion-Based Examination Engagement (Ref: par. .63h)

.A91 A description of the nature of an assertion-based examination engagement may state, for example, the following:

- An examination involves performing procedures to obtain evidence about the subject matter 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.
- An examination also involves examining evidence about the subject matter.
- In making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the subject

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matter in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.

.A92 The practitioner may decide to more fully describe the practitioner's responsibility, for example, to

- perform procedures to obtain evidence based on the practitioner's assessment of the risk of material misstatement about whether the subject matter is presented in accordance with (or based on) the criteria.
- obtain an understanding of internal control over the subject matter.

.A93 A practitioner may be requested to provide, in a separate section of the practitioner's report, a description of the procedures performed and the results thereof in support of the practitioner's opinion. The following factors are relevant when determining whether to include such a description in the report:

- Whether such a description is likely to overshadow the practitioner's overall opinion or cause report users to misunderstand the opinion.
- Whether the parties making the request have an appropriate business need or reasonable basis for requesting the information. For example, the specified parties are required to maintain and monitor controls that either encompass or are dependent on controls that are the subject of an assertion-based examination and, therefore, need information about the tests of controls to enable them to have a basis for concluding that they have met the requirements applicable to them.
- Whether the parties have an understanding of the nature and subject matter of the engagement and experience in using the information in such reports.
- Whether the practitioner's procedures performed directly relate to the subject matter of the engagement.

The addition of procedures performed and the results thereof in a separate section of an assertion-based examination report may increase the potential for the report to be misunderstood when taken out of the context of the knowledge of the requesting parties. This potential for an increase in the risk of misunderstanding may lead the practitioner to add a restricted-use paragraph to the practitioner's report.

Relevant Ethical Requirements (Ref: par. .63i)

.A94 Relevant ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA Code of Professional Conduct applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

.A95 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence

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and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.

Inherent Limitations (Ref: par. .63j)

.A96 In some cases, identification of specific inherent limitations is required by an AT-C section. For example, section 305 requires that the practitioner's report include a statement indicating that the prospective results may not be achieved.[4] To implement that requirement, the illustrative practitioner's assertion-based examination report on a forecast in section 305 states, "There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material."[5] When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.

Opinion (Ref: par. .63k)

.A97 The practitioner's opinion can be worded either in terms of the subject matter and the criteria (for example, "In our opinion, the schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is in accordance with [or based on] the ABC criteria set forth in Note 1, in all material respects.") or in terms of an assertion made by the responsible party (for example, "In our opinion, management's assertion that the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with [or based on] the ABC criteria set forth in Note 1 is fairly stated, in all material respects.").

.A98 The language of the practitioner's opinion in paragraph .63*k* 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 .63*k*i include the following:

- The subject matter is presented in accordance with (or based on) the criteria, in all material respects.
- The subject matter achieved the objectives, in all material respects (when the objectives are the criteria).
- The subject matter is free from material misstatement based on the criteria.
- The subject matter is presented fairly, in all material respects, based on the criteria. (The practitioner's professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)

[4]Paragraph .31*i* of section 305, *Prospective Financial Information*.

[5]Example 1 in paragraph .A44 of section 305.

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.A99 A single practitioner's report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and review level related to others, or an unmodified opinion on some aspects or assertions and a modified opinion on others).

.A100 A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter, in the written assertion about the subject matter, or in the report, even if the subject matter for the preceding date or period is not presented.

Location (Ref: par. .63m)

.A101 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.

Date (Ref: par. .63n)

.A102 Including the date of the practitioner's report informs the intended users that the practitioner has considered the effect of the events that occurred up to that date on the subject matter and the report.

.A103 Because the practitioner expresses an opinion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that all the elements that the subject matter or assertion comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.

Restricted-Use Paragraph (Ref: par. .10, .51, .64, and .65b–c)

.A104 A practitioner's report for which the conditions in paragraph .64 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.

.A105 A practitioner's report that is required by paragraph .64 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.

.A106 A practitioner may also issue a single combined practitioner's report that includes

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a. a practitioner's report that is required by paragraph .64 to include an alert that restricts its use, and

b. a report that is for general use.

If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report required by paragraph .64 to include such an alert. In such circumstances, the use of the general use report is not affected.

.A107 The written representations required by paragraph .51 include an assertion. If the engaging party is not the responsible party and the responsible party provides an oral assertion, rather than a written assertion, paragraph .64*c* calls for an alert that restricts the use of the practitioner's report to the engaging party.

.A108 The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

.A109 In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.

.A110 The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party, that the intended use of the report will be restricted and may obtain the responsible party's agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.

.A111 In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.

Reference to the Practitioner's Specialist (Ref: par. .69)

.A112 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.

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Modified Opinions (Ref: par. .70, .72, and .77)

.A113 The three types of modified opinions are a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon the following:

a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with (or based on) the criteria, in all material respects or, in the case of an inability to obtain sufficient appropriate evidence, may be materially misstated)

b. The practitioner's professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement

.A114 A practitioner may express an unmodified opinion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.

.A115 The term *pervasive* 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

a. are not confined to specific aspects of the subject matter;

b. if so confined, represent or could represent a substantial proportion of the subject matter; or

c. in relation to disclosures, are fundamental to the intended users' understanding of the subject matter.

.A116 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 practitioner's report to be issued.

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	
	Material but Not Pervasive	Material and Pervasive
Scope limitation. An inability to obtain sufficient appropriate evidence.	Qualified opinion	Disclaimer of opinion
Subject matter is materially misstated.	Qualified opinion	Adverse opinion

.A117 A scope limitation may arise from the following:

a. Circumstances beyond the control of the appropriate party. For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.

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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.

.A118 The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation. However, when the engaging party is not the responsible party, paragraph .52 enables the practitioner to make inquiries of the responsible party and, if the responsible party's oral responses enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, paragraph .57*a* indicates this would not cause a scope limitation. Further, paragraph .57*a* requires that the practitioner's report in these circumstances contain an alert paragraph that restricts the use of the report to the engaging party.

.A119 The practitioner's decision to express a qualified opinion, disclaim an opinion, or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the omitted procedures on the practitioner's ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the subject matter.

.A120 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.

Responsible Party Refuses to Provide a Written Assertion (Ref: par. .86)

.A121 The following is an example of the disclosure required by paragraph .86:

> Attestation standards established by the AICPA require that we request a written statement from [*identify the responsible party*] stating that [*identify the subject matter*] that we examined has been accurately measured or evaluated. We requested that [*identify the responsible party*] provide such a written statement but [*identify the responsible party*] refused to do so.

.A122 The practitioner's report discussed in paragraph .86 is appropriate only when the engagement is to report on the subject matter; it is not appropriate for a report on an assertion. When reporting on an assertion, the practitioner is required to obtain a written assertion from the responsible party.

.A123 If the responsible party's failure to provide the practitioner with written representations causes the practitioner to conclude that a scope limitation exists and, thus,

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qualify or disclaim an opinion, the practitioner need not restrict the use of the practitioner's report but is required by paragraph .71 to describe the matter that gave rise to the modified opinion. Paragraph .A104 notes, however, that the practitioner is not precluded from restricting the use of any report.

Communication Responsibilities (Ref: par. .87–.88)

.A124 Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party, include bias in the measurement, evaluation, or disclosure of the subject matter.

.A125 Disclosure of confidential information as defined in the Code of Professional Conduct requires the explicit consent of the engaging party or the responsible party, as appropriate. In circumstances in which such matters are identified, the practitioner may consider discussing with legal counsel or others prior to communicating or taking further action.

.A126 If the practitioner is performing an assertion-based examination engagement in accordance with *Government Auditing Standards*, the practitioner may be required to report on compliance with laws, regulations, and provisions of contracts or grant agreements as part of the assertion-based examination. The practitioner also may be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies.

Documentation (Ref: par. .89)

.A127 Documentation includes a record of the practitioner's reasoning on all significant matters 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. [As amended, effective for examination engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A128 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.

[.A129] [Paragraph deleted by the issuance of SSAE No. 23, June 2024.]

.A130 Documentation ordinarily includes a record of the following:

- Issues identified with respect to compliance with relevant ethical requirements and how they were resolved

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- Conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions
- Conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements
- The nature and scope of, and conclusions resulting from, consultations undertaken during the engagement

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Exhibit — Illustrative Practitioner's Assertion-Based Examination Reports

.A131 The illustrative practitioner's assertion-based examination reports in this exhibit meet the applicable reporting requirements in paragraphs .62–.86. A practitioner may use alternative language in drafting an assertion-based examination report, provided that the language meets the applicable requirements in paragraphs .62–.86. The criteria for evaluating the subject matter in examples 1–3 and 5–6 have been determined by the practitioner to be suitable and available to all users of the practitioner's report; therefore, these practitioner's reports may be for general use. The criteria for evaluating the subject matter in example 4 are suitable but available only to specified parties; therefore, use of this practitioner's report is restricted to the specified parties who either participated in the establishment of the criteria or can be presumed to have an adequate understanding of the criteria. (See paragraph .65 for the information to be included in a separate paragraph of the report that contains an alert that restricts the use of the report and paragraph .66 for the content of that paragraph when the engagement is also performed in accordance with *Government Auditing Standards*.)

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Example 1: Practitioner's Assertion-Based Examination Report on Subject Matter; Unmodified Opinion

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

[*Practitioner's signature*]

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

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[*Date of practitioner's report*]

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Example 2: Practitioner's Assertion-Based Examination Report on an Assertion; Unmodified Opinion

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

[*Practitioner's signature*]

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

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[*Date of practitioner's report*]

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

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold*] is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about [*identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold*]. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [*identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company, or gallons of gas sold in the United States by XYZ Company to ABC Company)*], whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 5: Practitioner's Assertion-Based Examination Report on Subject Matter; Qualified Opinion

The following is an illustrative practitioner's report for an assertion-based examination engagement in which the practitioner expresses a qualified opinion because conditions exist that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter based on (or, in certain engagements, deviations from, exceptions to, or instances of noncompliance with) the criteria. The practitioner has examined the subject matter and is reporting on the subject matter. Paragraph .76 states, "If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and should express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement."

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 6: Practitioner's Assertion-Based Examination Report; Practitioner Engaged to Report on Subject Matter; Disclaimer of Opinion Because of Scope Limitation

The following is an illustrative practitioner's report for an assertion-based examination engagement in which the practitioner was engaged to report on the subject matter but is disclaiming an opinion because of a scope limitation. (See paragraphs .70–.86 and the related application guidance for reporting guidance when a scope limitation exists.)

Independent Accountant's Report

[*Appropriate Addressee*]

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

[*The report should omit statements*

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

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

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

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[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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AT-C Section 9205

Assertion-Based Examination Engagements: Attestation Interpretations of Section 205

Note
In June 2024, the Auditing Standards Board issued Statement on Standards for Attestation Engagements (SSAE) No. 23, *Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*, which contains amendments to section 205, *Assertion-Based Examination Engagements*. The amendments are effective for engagements performed in accordance with Statements on Standards for Attestation Engagements beginning on or after December 15, 2025.

The attestation interpretations in this section are expected to be revised in a future update to reflect the issuance of SSAE No. 23.

1. Reporting on Attestation Engagements Performed in Accordance With *Government Auditing Standards*[1]

.01 *Question* — Chapter 7, "Standards for Attestation Engagements and Reviews of Financial Statements," of the 2018 revision of *Government Auditing Standards* (referred to herein as the Yellow Book) sets forth additional standards for attestation engagements performed pursuant to generally accepted government auditing standards (GAGAS). Practitioners performing attestation engagements under GAGAS are also required to follow the general requirements set forth in chapter 2, "General Requirements for Complying with Government Auditing Standards," of the Yellow Book, as well as the guidance and requirements in chapter 1, "Foundation and Principles for the Use and Application of Government Auditing Standards," chapter 3, “Ethics, Independence, and Professional Judgment,” chapter 4, “Competence and Continuing Professional Education,” and chapter 5, "Quality Control and Assurance." For examination attestation engagements performed pursuant to GAGAS, paragraphs 7.39–.69 of the Yellow Book prescribes additional reporting standards[2] that go beyond the standards of reporting set forth in section 205, *Assertion-Based Examination Engagements*.[3] When a practitioner performs an attestation examination in accordance with GAGAS, how should the report be modified?

[1]Although separate interpretations for other AT-C sections have not been issued to address attestation engagements performed in accordance with *Government Auditing Standards*, a practitioner may use this guidance to help the practitioner appropriately modify an attestation report pursuant to other AT-C sections.

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.02 *Interpretation* — The practitioner should modify the scope paragraph of the attestation report to indicate that the examination was "conducted in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States."

.03 Additionally, GAGAS requires the practitioner's attestation report to disclose any matters (often referred to as *findings*) that are set forth in paragraphs 7.42–.47 of the Yellow Book. Paragraphs 7.48–.50 of the Yellow Book set forth the presentation requirements that the practitioner should use, to the extent possible, in reporting a finding. The following illustration is a standard examination report modified to make reference to a schedule of findings when any of the matters set forth in paragraphs 7.42–.47 have been identified. This report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. A written assertion has been obtained from the responsible party. Although the following illustrative report modifications would comply with the Yellow Book requirement, this illustration is not intended to preclude a practitioner from complying with these additional Yellow Book reporting requirements in other ways. In this illustrative report, the practitioner is reporting on the subject matter.

[2]Paragraphs 7.39–.65 of the Yellow Book sets forth the additional reporting requirements: (*a*) reporting the auditors' compliance with generally accepted government auditing standards, (*b*) reporting deficiencies in internal control, (*c*) reporting on noncompliance with provisions of laws, regulations, contracts, and grant agreements or instances of fraud, (*d*) presenting findings in the report, (*e*) reporting findings directly to parties outside the audited entity, (*f*) obtaining and reporting views of responsible officials, (*g*) reporting confidential or sensitive information, and (*h*) distributing reports. [Footnote revised, January 2008, to reflect conforming changes necessary due to the issuance of the 2007 revised *Government Auditing Standards*. Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*. Footnote revised, July 2022, to reflect conforming changes necessary due to the issuance of the 2018 revision of *Government Auditing Standards*.]

[3]Paragraphs .62–.86 of section 205, *Assertion-Based Examination Engagements*. [Footnote revised, July 2022, to reflect conforming changes necessary due to the issuance of the 2018 revision of *Government Auditing Standards*.]

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Independent Accountant's Report

We have examined [*identify the subject matter, for example, the accompanying schedule of performance measures of XYZ Agency for the year ended December 31, 20XX*].[4] XYZ Agency's management is responsible for presenting the [*identify the subject matter, for example, the schedule of performance measures*] in accordance with [*identify the criteria*]. Our responsibility is to express an opinion on [*identify the subject matter, for example, the accompanying schedule of performance measures of XYZ Agency for the year ended December 31, 20XX*], based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's [*identify the subject matter, for example, the accompanying schedule of performance measures of XYZ Agency for the year ended December 31, 20XX*] is in accordance with [*identify the criteria*], in all material respects. An examination involves performing procedures to obtain evidence about [*identify the subject matter, for example, the accompanying schedule of performance measures of XYZ Agency for the year ended December 31, 20XX*]. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the [*identify the subject matter, for example, the accompanying schedule of performance measures of XYZ Agency for the year ended December 31, 20XX*], whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

[*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 performance measures of XYZ Agency for the year ended December 31, 20XX*], is presented in accordance with [*identify criteria, for example, the criteria set forth in Note 1*], in all material respects.

[*When any of the matters set forth in paragraphs 7.42–.47 of the Yellow Book have been identified, the following paragraph would be added.*]

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or

[4]If the practitioner is reporting on an assertion about the subject matter, the practitioner would identify the assertion, rather than the subject matter, for example, "management's assertion that the accompanying schedule presents the performance measures of XYZ Agency for the year ended December 31, 20XX, in conformity with the criteria in Note 1." [Footnote added, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*.]

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grant agreements that have a material effect on [*identify the subject matter, for example, XYZ Agency's schedule of performance measures*]; and any other instances that warrant the attention of those charged with governance.[5] We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether [*identify the subject matter, for example, XYZ Agency's schedule of performance measures*] is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over [*identify the subject matter, for example, reporting of performance measures*] or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of responsible officials, are described in the attached Schedule of Findings.[6]

[*Practitioner's signature*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustrative Schedule of Findings

XYZ Agency
Schedule of Findings[7]
Year Ended December 31, 20XX

Finding No. 1

Criteria

Condition

Cause

[5]Note that paragraphs 7.45–.46 of the Yellow Book state that when auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud that have an effect on the subject matter or an assertion about the subject matter that are less than material but warrant the attention of those charged with governance, they should communicate in writing to audited entity officials. When auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud that do not warrant the attention of those charged with governance, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment. [Footnote added, January 2008, to reflect conforming changes necessary due to the issuance of the 2007 revised *Government Auditing Standards*. Footnote renumbered and revised, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*. Footnote revised, July 2022, to reflect conforming changes necessary due to the issuance of the 2018 revision of *Government Auditing Standards*.]

[6] [Footnote renumbered and deleted to reflect conforming changes necessary due to the issuance of the 2007 revised *Government Auditing Standards*.]

[7]Refer to paragraphs 7.19–.32 of the Yellow Book regarding the content of the schedule of findings. [Footnote renumbered and revised: January 2008, to reflect conforming changes necessary due to the issuance of the 2007 revised *Government Auditing Standards*. Footnote renumbered and revised, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*. Footnote revised, July 2022, to reflect conforming changes necessary due to the issuance of the 2018 revision of *Government Auditing Standards*.]

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Effect or Potential Effect

Management's Response

Finding No. 2

Criteria

Condition

Cause

Effect or Potential Effect

Management's Response

[Issue Date: December 2004. Revised, January 2008. Revised, December 2012. Revised, April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21. Revised, July 2022, to reflect conforming changes necessary due to the issuance of the 2018 revision of *Government Auditing Standards*.]

2. Reporting on the Design of Internal Control

.04 *Question* — A practitioner may be asked to report on the suitability[8] of the design of an entity's internal control over financial reporting (internal control) for preventing, or detecting and correcting, material misstatements of the entity's financial statements on a timely basis. Such requests may be made by, for example,

- an entity applying for a government grant or contract that is required to submit a written pre-award survey by management about the suitability of the design of the entity's internal control or a portion of the entity's internal control, together with a practitioner's report thereon.
- a new casino applying for a license to operate that is required by a regulatory agency to submit a practitioner's report on whether the entity's internal control *that it plans to implement* is suitably designed to provide reasonable assurance that the control objectives specified in the regulatory agency's regulations would be achieved. (In this situation, the casino would not yet have begun operations, and audited financial statements or financial data relevant to the period covered by the engagement may not exist.)

May a practitioner report on the suitability of the design of an entity's internal control based on the risk assessment procedures the auditor performs to obtain a sufficient

[8]In this interpretation, the *suitability of the design of internal control* means the same thing as the *design effectiveness of an entity's internal control*. [Footnote renumbered, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*.]

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understanding of the entity and its environment, including its internal control, in an audit of the entity's financial statements?

.05 *Interpretation* — No. In a financial statement audit, the purpose of the auditor's understanding of the entity and its environment, including its internal control, is to enable the auditor to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. The understanding obtained in a financial statement audit does not provide the practitioner with a sufficient basis to report on the suitability of the design of an entity's internal control or any portion thereof.

.06 *Question* — How may a practitioner report on the suitability of the design of an entity's internal control or a portion thereof?

.07 *Interpretation* — The practitioner may perform an examination of the suitability of the design of an entity's internal control under section 205 or apply agreed-upon procedures to that subject matter under section 215. AU-C section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, does not directly apply when a practitioner is engaged to examine the suitability of design of an entity's internal control. However, it may be useful in planning and performing such engagements. Paragraphs .33 and .A61–.A62 of AU-C section 940 discuss how the auditor evaluates the design effectiveness of controls.

.08 When the engagement involves the application of agreed-upon procedures related to the suitability of the design of an entity's internal control over compliance with specified requirements, the practitioner should follow the provisions of section 315, *Compliance Attestation*.[9]

.09 The following is an illustrative report a practitioner may issue when reporting on the suitability of the design of an entity's internal control that has been implemented. The report may be modified, as appropriate, to fit the particular circumstances.

[9]Paragraphs .01–.05, .07–.08, and .23–.26 of section 315, *Compliance Attestation*.

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Independent Accountant's Report

[*Introductory paragraph*]

We have examined the suitability of the design of W Company's internal control over financial reporting to prevent, or detect and correct, material misstatements in its financial statements on a timely basis as of December 31, 20XX.[10] W Company's management is responsible for the suitability of the design of W Company's internal control over financial reporting, based on [*identify the criteria*]. Our responsibility is to express an opinion on the suitability of the design of W Company's internal control over financial reporting based on our examination.

[*Scope paragraph*]

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether W Company's internal control over financial reporting was suitably designed based on [*identify the criteria*], in all material respects. An examination involves performing procedures to obtain evidence about the suitability of the design of W Company's internal control over financial reporting. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of a material weakness in the suitability of the design of W Company's internal control over financial reporting. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. We were not engaged to examine and report on the operating effectiveness of W Company's internal control over financial reporting as of December 31, 20XX, and, accordingly, we express no opinion on operating effectiveness.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

[*Inherent limitations paragraph*]

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of the suitability of the design or effectiveness of W Company's internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

[*Opinion paragraph*]

[10]This report assumes that the control criteria are both suitable and available to users as discussed in paragraph .27*b*(ii) of section 105, *Concepts Common to All Attestation Engagements*. Therefore, the use of this report is not restricted. [Footnote renumbered, December 2012, to reflect conforming changes necessary due to the issuance of the 2011 revision of *Government Auditing Standards*.]

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In our opinion, W Company's internal control over financial reporting was suitably designed to prevent, or detect and correct, material misstatements in the financial statements on a timely basis as of December 31, 20XX, based on [*identify criteria*], in all material respects.

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

.10 When reporting on the suitability of the design of an entity's internal control that has not yet been implemented, the practitioner would be unable to confirm that the controls have been implemented and should disclose that information in the practitioner's report. In those circumstances, the practitioner should modify (1) the scope paragraph of the illustrative report in paragraph .09 to inform readers that the controls identified in the report have not yet been implemented and (2) the inherent limitations paragraph to reflect the related risk. Following are modified illustrative report paragraphs for use when controls have not yet been implemented.

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(New language is shown in boldface italics. Deleted language is shown in strikethrough.)

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether W Company's internal control over financial reporting was suitably designed based on [*identify the criteria*], in all material respects. An examination involves performing procedures to obtain evidence about the suitability of the design of W Company's internal control over financial reporting. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of a material weakness in the suitability of the design of W Company's internal control over financial reporting. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. ***Because operations had not begun as of December 31, 20XX, we could not confirm that the specified controls were implemented. Accordingly, our report solely addresses the suitability of the design of the Company's internal control and does not address whether the controls were implemented. Furthermore, because the specified controls have not yet been implemented, we were unable to test, and did not test,*** the operating effectiveness of W Company's internal control over financial reporting as of December 31, 20XX, and, accordingly, we express no opinion on operating effectiveness.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

[*Inherent limitations paragraph*]

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of the suitability of the design or effectiveness of W Company's internal control over financial reporting to future periods are subject to the risk that controls ***may not be implemented as intended when operations begin or*** may become inadequate because of changes in conditions~~, or that the degree of compliance with the policies or procedures may deteriorate~~.

.11 *Question* — A practitioner may be asked to sign a prescribed form developed by the party to whom the form is to be submitted regarding the design of an entity's internal control. What are the practitioner's responsibilities when requested to sign such a form if it includes language that is not consistent with the practitioner's function or responsibility or with the reporting requirements of professional standards?

.12 *Interpretation* — In the circumstances described in paragraph .11 of this interpretation, section 105, *Concepts Common to All Attestation Engagements*, requires the practitioner to reword the prescribed form of report or attach an appropriately worded separate report.[11] Section 105 indicates that some report forms can be made acceptable by inserting additional wording to include the report elements required by the applicable section.[12]

[11]Paragraph .20 of section 105.

[12]Paragraph .A28 of section 105.

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However, some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the practitioner's report calls for statements by the practitioner that are not consistent with the practitioner's function or responsibility, for example, a report form that requests the practitioner to "certify" the subject matter. When reporting on the suitability of the design of an entity's internal control under section 205, the practitioner's report should contain all of the report elements required by section 205, which can be accomplished by either rewording the prescribed form of report or attaching an appropriately worded separate report in place of the prescribed form.[13]

.13 *Question* — An entity may be required to submit a practitioner's report about an entity's *ability* to establish suitably designed internal control (or its assertion thereon). May a practitioner issue such a report based on (*a*) the risk assessment procedures related to existing internal control that the auditor performs in an audit of an entity's financial statements or (*b*) the performance of an attestation engagement?

.14 *Interpretation* — No. Neither the risk assessment procedures the auditor performs in an audit of an entity's financial statements nor the performance of an attestation engagement provide the practitioner with a basis for issuing a report on the *ability* of an entity to establish suitably designed internal control. There are no suitable criteria for evaluating an entity's ability to establish suitably designed internal control. The requesting party may be willing to accept a report of the practitioner on a consulting service. The practitioner may include in the consulting service report

a. a statement that the practitioner is unable to perform an attestation engagement that addresses the entity's ability to establish suitably designed internal control because there are no suitable criteria for evaluating the entity's ability to do so;

b. a description of the nature and scope of the practitioner's services; and

c. the practitioner's findings.

The practitioner may refer to the guidance in CS section 100, *Consulting Services: Definitions and Standards*.

[Issue Date: December 2008. Revised, December 2012. Revised, April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[13]Paragraphs .63–.68 of section 205.

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AT-C Section 206

Direct Examination Engagements

Source: SSAE No. 21.

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

Introduction

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

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

Effective Date

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

Objectives

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

a. obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence,

b. express an opinion in a written report that conveys the results of the practitioner's measurement or evaluation, and

c. communicate as required by this AT-C section, in accordance with the results of the practitioner's procedures.

[a]All AT-C sections can be found in AICPA *Professional Standards*.

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Requirements

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

.05 In performing a direct examination engagement, the practitioner is not required to request a written assertion from the responsible party.[1] However, the practitioner is required to apply the other requirements in section 205 to a direct examination engagement unless

a. the requirement cannot be applied as written because of the nature of a direct examination engagement, in which case, the practitioner should adapt and apply the requirement (Ref: par. .A3–.A7)

b. specified requirements in this section differ from and replace the related requirements in section 205. (These requirements are tailored to a direct examination engagement and identified in paragraph .06 of this section.) (Ref: par. .A8)

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

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

a. Matters relevant to accepting or continuing a direct examination engagement (paragraphs .07–.08)

b. Terms of the engagement (paragraph .09)

c. The written representations that a practitioner is required to request of the responsible party and of the engaging party when the engaging party is not the responsible party (paragraphs .10–.11)

d. The required elements of the practitioner's direct examination report (paragraph .12)

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

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Acceptance and Continuance

Determining Whether to Perform a Direct Examination Engagement

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

a. The intended purpose of the engagement, how the practitioner's report will be used, and why the engaging party wishes to engage the practitioner to perform a direct examination engagement

b. If the responsible party has not measured or evaluated the underlying subject matter against the criteria, why the responsible party has not done so

c. If the responsible party has measured or evaluated the underlying subject matter against the criteria, why the responsible party does not intend to provide an assertion

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

a. The inquiries in paragraph .07

b. Previous engagements performed for the engaging party, if any

c. Preliminary discussions with the engaging party, including discussion when agreeing upon the terms of the engagement

Terms of the Engagement

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

a. The objective and scope of the engagement

b. The responsibilities of the practitioner

c. A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA

d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different, including the following: (Ref: par. .A16)

    i. The responsible party is responsible for the underlying subject matter

    ii. The responsible party or engaging party, as applicable, is responsible for the following:

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1. Selecting the criteria for the measurement, evaluation, or disclosure of the underlying subject matter (Ref: par. .A17)
2. Determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement

e. A statement about the inherent limitations of an examination engagement (Ref: par. .A18)

f. Identification of the criteria for the measurement, evaluation, or disclosure of the underlying subject matter

g. An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

Written Representations

.10 The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should (Ref: par. .A19–.A20)

a. state that all known matters contradicting the measurement or evaluation of the underlying subject matter or the subject matter information, and any communication from regulatory agencies or others affecting the underlying subject matter or subject matter information have been disclosed to the practitioner, including communications received between the end of the period addressed by the practitioner's report and the date of the practitioner's report.

b. acknowledge responsibility for
   i. the underlying subject matter;
   ii. selecting the criteria, when applicable; (Ref: par. .A17) and
   iii. determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

c. state that the responsible party has disclosed to the practitioner
   i. all deficiencies in internal control relevant to the underlying subject matter of which the responsible party is aware;
   ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the underlying subject matter or subject matter information; and
   iii. other matters as the practitioner deems appropriate

d. state that any known events occurring subsequent to the period (or point in time) of the underlying subject matter or subject matter information being reported on that would have a material effect on the underlying subject matter or subject matter information have been disclosed to the practitioner. (Ref: par. .A21)

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e. state that it has provided the practitioner with all relevant information and access as agreed upon in the terms of the engagement.

.11 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should

a. acknowledge that the responsible party is responsible for the underlying subject matter.

b. acknowledge the engaging party's responsibility for selecting the criteria, when applicable.

c. acknowledge the engaging party's responsibility for determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

d. state that the engaging party is not aware of any material misstatements in the underlying subject matter or subject matter information.

e. state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter information being reported on that would have a material effect on the subject matter information.

f. address other matters as the practitioner deems appropriate.

Content of the Practitioner's Report

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

a. A title that includes the word *independent*. (Ref: par. .A22)

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification or description of the subject matter information being reported on, including the point in time or period of time to which the measurement or evaluation of the underlying subject matter against the criteria relates.

d. An identification of the criteria against which the underlying subject matter was measured or evaluated. (Ref: par. .A23)

e. An identification of (Ref: par. .A24)

    i. the responsible party and its responsibility for the underlying subject matter.

    ii. the practitioner's responsibility for

        1. measuring or evaluating the underlying subject matter against the criteria and performing other procedures,

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2. expressing an opinion that conveys the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria, based on the practitioner's examination, and

3. presenting any subject matter information as part of the practitioner's measurement or evaluation, when applicable.

f. A statement that

i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA.

ii. those standards require that the practitioner obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the result of that measurement or evaluation.

iii. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.

g. A description of the nature of a direct examination engagement. (Ref: par. .A25–.A26)

h. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement. (Ref: par. .A27–.A28)

i. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the underlying subject matter against the criteria. (Ref: par. .A29)

j. The practitioner's opinion conveying the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria (Ref: par. .A30–.A32)

k. The manual or printed signature of the practitioner's firm.

l. The city and state where the practitioner's report is issued. (Ref: par. .A33)

m. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that

i. the attestation documentation has been reviewed, and

ii. if applicable, the written presentation of the subject matter information has been prepared. [Ref par. .A34–.A35])

Application and Other Explanatory Material

Introduction (Ref: par. .01–.02)

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

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

a. AT-C section 305, *Prospective Financial Information*

b. AT-C section 310, *Reporting on Pro Forma Financial Information*

c. AT-C section 315, *Compliance Attestation*

d. AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*

e. AT-C section 395, *Management's Discussion and Analysis*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Determining Whether to Perform a Direct Examination Engagement

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

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

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

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

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

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

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

a. A statement that a direct examination is designed to obtain reasonable assurance about whether the subject matter information is free from material misstatement

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b. A statement that the objective of a direct examination is

   i. to obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence

   ii. to express an opinion in a written practitioner's report that conveys the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria

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

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

.A18 If relevant, a statement about the inherent limitations of an examination engagement may indicate that "because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards."

Written Representations (Ref: par. .10)

.A19 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A20 Representations by the responsible party cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.

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

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Content of the Practitioner's Report

Title (Ref: par. .12a)

.A22 A title indicating that the practitioner's report is the report of an independent practitioner (for example, "Independent Practitioner's Report," "Report of Independent Certified Public Accountant," or "Independent Accountant's Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

Criteria (Ref: par. .12d)

.A23 The practitioner's report may include the criteria or refer to them if they are included in the subject matter information or are otherwise readily available. It may be relevant in the circumstances to disclose the source of the criteria or the relevant matters discussed in paragraph .A86 of section 205.

Relevant Responsibilities (Ref: par. .12e)

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

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

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

- a direct examination involves measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence.
- in making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the underlying subject matter in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.
- the nature, timing, and extent of the procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the subject matter information, whether due to fraud or error.

.A26 A practitioner may be requested to provide in a separate section of the practitioner's report a description of the procedures performed and the results thereof in support of the practitioner's opinion. The following factors are relevant when determining whether to include such a description in the report:

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- Whether such a description is likely to overshadow the practitioner's overall opinion or cause report users to misunderstand the opinion
- Whether the parties making the request have an appropriate business need or reasonable basis for requesting the information (for example, the specified parties are required to maintain and monitor controls that either encompass or are dependent on controls that are the subject of a direct examination and, therefore, need information about the tests of controls to enable them to have a basis for concluding that they have met the requirements applicable to them)
- Whether the parties have an understanding of the nature and underlying subject matter of the engagement and experience in using the information in such reports

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

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

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

Inherent Limitations (Ref: par. .12i)

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

Opinion (Ref: par. .12j)

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

- The underlying subject matter is presented in accordance with (or based on) the criteria, in all material respects.
- The subject matter information is free from material misstatement based on the criteria.
- The subject matter information is presented fairly, in all material respects, based on the criteria. (The practitioner's professional judgment concerning the fairness of the

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

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presentation of the subject matter information relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)

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

.A32 A practitioner may report on subject matter information at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter information, or in the report, even if the subject matter for the preceding date or period is not presented.

Location (Ref: par. .12l)

.A33 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.

Date (Ref: par. .12m)

.A34 Including the date of the practitioner's report informs the intended users that the practitioner has considered the effect of the events that occurred up to that date on the subject matter information and the report.

.A35 The practitioner is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that all the elements that the subject matter information comprises, including any related notes, when applicable, have been prepared.

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Exhibit — Illustrative Direct Examination Reports

.A36 The illustrative practitioner's direct examination reports in this exhibit meet the applicable reporting requirements in paragraph .12 of this section. A practitioner may use alternative language in drafting a direct examination report, provided that the language meets the applicable requirements in paragraph .12 of this section.

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Example 1

Circumstances include the following:

The practitioner was engaged to

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by measuring (or evaluating) [*identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX*] against [*identify the criteria, for example, the ABC criteria set forth in Note 1 of the accompanying schedule of investment returns*] and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of [*identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX*]. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [*identify the subject matter information, for example, the rates of return on those investment transactions for the year ended December 31, 20XX, as presented in the schedule of investment returns*], whether due to fraud or

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

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

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

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Example 2

Circumstances include the following:

The practitioner was engaged to

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

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

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material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

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AT-C Section 210

Review Engagements

(Supersedes SSAE No. 18 section 210.)

Source: SSAE No. 22; SSAE No. 23.

Effective for practitioners' review reports dated on or after June 15, 2022, unless otherwise indicated.

Introduction

.01 This section contains performance and reporting requirements and application guidance for review engagements performed in accordance with the attestation standards. The requirements and guidance in this section supplement the requirements and guidance in section 105, *Concepts Common to All Attestation Engagements*. For purposes of applying this section, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as defined in section 105. If only one of these terms is applicable, that term is used.

Effective Date

.02 This section is effective for practitioners' review reports dated on or after June 15, 2022. Early implementation is permitted only if the practitioner also implements early the amendments to section 105 included in Statement on Standards for Attestation Engagements (SSAE) No. 21, *Direct Examination Engagements*.

Objectives

.03 In conducting a review engagement, the objectives of the practitioner are to do the following:

a. Obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria

b. Express a conclusion in a written report about whether, based on the procedures performed and the review evidence obtained, the practitioner is aware of any material modifications that should be made to

   i. the subject matter in order for it to be in accordance with (or based on) the criteria or

   ii. the responsible party's assertion in order for it to be fairly stated

c. Communicate further as required by relevant AT-C sections

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Definitions

.04 For purposes of this section, the following terms have the meanings attributed as follows:

Appropriateness of review evidence. The measure of the quality of review evidence, that is, its relevancy and reliability in providing support for the practitioner's conclusion.

Modified conclusion. A qualified or an adverse conclusion.

Review evidence. Information used by the practitioner in obtaining limited assurance on which the practitioner's conclusion is based.

Sufficiency of review evidence. 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 evidence.

Requirements

Conduct of a Review Engagement

.05 In performing a review engagement, the practitioner should comply with this section, section 105, and any subject-matter AT-C section that is relevant to the engagement. A subject-matter AT-C section is relevant to the engagement when it is in effect, and the circumstances addressed by the AT-C section exist. (Ref: par. .A1)

.06 The practitioner should consider whether the nature of the procedures to be performed would enable the practitioner to obtain sufficient appropriate review evidence to obtain limited assurance.

.07 A practitioner should not perform a review of

a. prospective financial information,

b. internal control, or

c. compliance with requirements of specified laws, regulations, rules, contracts, or grants.

Agreeing on the Terms of the Engagement

.08 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)

.09 The agreed-upon terms of the engagement should include the following:

a. The objective and scope of the engagement

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b. The responsibilities of the practitioner (Ref: par. .A3)

c. A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA

d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. .A4–.A5)

e. A statement that the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination and, consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed (Ref: par. .A6)

f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter

g. An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

.10 Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.

Requesting a Written Assertion

.11 The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the underlying subject matter against the criteria. The practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .61 requires the practitioner to withdraw from the engagement, when withdrawal is possible under applicable law or regulation. When the engaging party is not the responsible party, and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement. In that case, paragraph .62 requires the practitioner to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party. (Ref: par. .A7–.A11 and .A88)

Planning and Performing the Engagement

.12 The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the procedures that are necessary to achieve the objectives of the engagement. The practitioner should exercise professional judgment in selecting and applying procedures to obtain sufficient appropriate review evidence that provides a reasonable basis for the practitioner's conclusion. (Ref: par. .A12–.A15)

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.13 The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to do the following: (Ref: par. .A16)

a. Enable the practitioner to identify areas in which a material misstatement is likely to arise (Ref: par. .A17)

b. Provide a basis for designing and performing procedures to address the areas identified in item (*a*) and to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated

.14 The practitioner should make inquiries of the responsible party regarding

a. whether the responsible party has an internal audit function. If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter.

b. whether the responsible party has used any specialists in the preparation of the subject matter.

Materiality in Planning and Performing the Engagement

.15 The practitioner should consider materiality when establishing the overall engagement strategy, determining the nature, timing, and extent of procedures, and evaluating whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated. (Ref: par. .A18–.A24)

.16 The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.

Procedures to Be Performed to Obtain Limited Assurance

.17 To obtain limited assurance, the practitioner should obtain sufficient appropriate review evidence to reduce attestation risk to a level that is acceptable in the circumstances of the engagement as a basis for expressing a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated.

.18 Based on the practitioner's understanding obtained pursuant to paragraph .13, the practitioner should design and perform procedures to obtain limited assurance to support the practitioner's conclusion. In doing so, the practitioner should identify and place increased focus on those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated. Inquiry procedures alone are not sufficient to obtain limited assurance. (Ref: par. .A25–.A30)

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Analytical Procedures

.19 If designing and performing analytical procedures to obtain limited assurance, the practitioner should do the following: (Ref: par. .A31–.A32)

a. Determine the suitability of particular analytical procedures for the subject matter, taking into account the practitioner's awareness of risks

b. Evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available

c. Develop an expectation with respect to recorded amounts or ratios

.20 If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should do the following: (Ref: par. .A33)

a. Inquire of the responsible party about such differences

b. Consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances

Inquiries

.21 The practitioner should inquire of the responsible party about the following:

a. Whether the subject matter has been prepared in accordance with (or based on) the criteria

b. The practices used by the responsible party to measure, recognize, and record the subject matter

c. Questions that have arisen in the course of applying the procedures

d. Communications from regulatory agencies or others, if relevant

.22 The practitioner should consider the reasonableness and consistency of the responsible party's responses in light of the results of other procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party.

Fraud, Laws, and Regulations

.23 The practitioner should make inquiries of the appropriate party to determine whether the party has knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.

.24 The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .A34–.A35)

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Incorrect, Incomplete, or Otherwise Unsatisfactory Information

.25 During the performance of procedures, if the practitioner becomes aware that information coming to the practitioner's attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner's report.

.26 If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional procedures sufficient to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated.

Using the Work of a Practitioner's Specialist or Internal Auditors

.27 When the practitioner expects to use the work of a practitioner's specialist or internal auditors, the practitioner should apply the requirements in section 205, *Assertion-Based Examination Engagements*, and the related application guidance, as appropriate, for a review engagement.[1]

Evaluating the Results of Procedures

.28 The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. .A36–.A37)

.29 The practitioner should evaluate whether sufficient appropriate review evidence has been obtained from the procedures performed and, if not, the practitioner should perform additional procedures based on the practitioner's professional judgment to be necessary in the circumstances to be able to form a conclusion on the subject matter. (Ref: par. .A38–.A40)

.30 If the practitioner is unable to obtain sufficient appropriate review evidence, a scope limitation exists, and paragraph .60 applies.

Considering Subsequent Events and Subsequently Discovered Facts

.31 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 review engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. If so, the practitioner should apply other appropriate procedures to obtain review evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent

[1]Paragraphs .37–.45 of section 205, *Assertion-Based Examination Engagements*.

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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. .A41–.A43)

.32 The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A44–.A45)

Written Representations

.33 The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A46–.A49)

a. Include the responsible party's assertion about the subject matter based on the criteria (Ref: par. .A88)

b. State that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion

c. State that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report

d. Acknowledge responsibility for

    i. the subject matter and the responsible party's assertion;

    ii. selecting the criteria, when applicable; and

    iii. determining that such criteria are suitable, will be available to the intended users, and appropriate for the purpose of the engagement

e. State that the responsible party has disclosed to the practitioner

    i. all deficiencies in internal control relevant to the engagement of which the responsible party is aware;

    ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and

    iii. other matters as the practitioner deems appropriate

f. State that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner (Ref: par. .A48)

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g. State that the responsible party has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement

h. 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. .A48–.A49)

i. If applicable, state that significant assumptions used in making any material estimates are reasonable

.34 When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .33 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .33. (Ref: par. .A50)

.35 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should do the following:

a. Acknowledge that the responsible party is responsible for the subject matter being in accordance with the criteria and for its assertion

b. Acknowledge the engaging party's responsibility for selecting the criteria

c. Acknowledge the engaging party's responsibility for determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purposes of the engagement

d. State that the engaging party is not aware of any material misstatements in the subject matter information or assertion

e. State that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion (Ref: par. .A42)

f. Address other matters as the practitioner deems appropriate

.36 When written representations are directly related to matters that are material to the subject matter, the practitioner should

a. evaluate their reasonableness and consistency with other review evidence obtained, including other representations (oral or written), and

b. consider whether those making the representations can be expected to be well-informed on the particular matters.

.37 The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's conclusion.

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Requested Written Representations Not Provided or Not Reliable

.38 When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following (Ref: par. .A51–.A52)

a. Discuss the matter with the appropriate party.

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 review evidence in general.

c. If any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the practitioner's conclusion.

.39 When the engaging party is not the responsible party (Ref: par. .A53–.A55)

a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory oral responses to the practitioner's inquiries performed in accordance with paragraph .34 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate review evidence to form a conclusion about the subject matter, the practitioner's report should contain a separate paragraph that restricts the use of the practitioner's report to the engaging party. (Paragraphs .47–.48 contain requirements for the contents of such a paragraph.)

b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .34, a scope limitation exists, and paragraph .60 applies.

Other Information

.40 If prior to or after the release of the practitioner's report on subject matter or an assertion the practitioner is willing to permit the inclusion of the practitioner's report in a document that contains the subject matter or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or the report. If upon reading the other information, in the practitioner's professional judgment either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action, as appropriate: (Ref: par. .A56–.A57)

a. A material inconsistency between that other information and the subject matter, assertion, or report exists.

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b. A material misstatement of fact exists in the other information, the subject matter, assertion, or the report.

Description of Criteria

.41 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A58–.A59)

Forming the Conclusion

.42 The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. In forming that conclusion, the practitioner should evaluate

a. the sufficiency and appropriateness of the review evidence obtained and (Ref: par. .A60)

b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A61)

.43 The practitioner should evaluate, based on the review evidence obtained, whether the presentation of the subject matter or assertion is misleading within the context of the engagement. (Ref: par. .A62–.A63)

Preparing the Practitioner's Report

.44 The practitioner's report should be in writing. (Ref: par. .A64–.A67)

Content of the Practitioner's Report

.45 The practitioner's report should include the following:

a. A title that includes the word *independent*. (Ref: par. .A68)

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.

d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A69)

e. A statement that identifies the responsible party and its responsibility for the subject matter being in accordance with (or based on) the criteria or for its assertion. (Ref: par. .A70–.A71)

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f. A statement that the practitioner's responsibility is to express a conclusion on the subject matter or assertion based on the practitioner's review.

g. A statement that

   i. the practitioner's review was conducted in accordance with attestation standards established by the AICPA. (Ref: par. .A72–.A73).

   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 accordance with (or based on) the criteria (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A73) or

      2. the responsible party's assertion in order for it to be fairly stated.

   iii. the practitioner believes the review evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's conclusion.

h. A statement that the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects, in order to express an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

i. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements relating to the review engagement. (Ref: par. .A74–.A75)

j. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A76)

k. A description of the work performed as a basis for the practitioner's conclusion. (Ref: par. .A77–.A78)

l. The practitioner's conclusion about whether, based on the review, the practitioner is aware of any material modifications that should be made to (Ref: par. .A79–.A81)

   i. the subject matter in order for it be in accordance with (or based on) the criteria or

   ii. the responsible party's assertion in order for it to be fairly stated.

m. The manual or printed signature of the practitioner's firm.

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n. The city and state where the practitioner's report is issued. (Ref: par. .A82)

o. 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 review evidence that (Ref: par. .A83–.A84)

i. the attestation documentation has been reviewed,

ii. if applicable, the written presentation of the subject matter has been prepared, and

iii. the responsible party has provided a written assertion or, in the circumstance described in paragraph .A55, an oral assertion.

Restricted-Use Paragraph

.46 In the following circumstances, the practitioner's report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A85–.A87)

a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.

b. The criteria used to evaluate the subject matter are available only to specified parties.

c. The engaging party is not the responsible party, and the responsible party does not provide the written representations required by paragraph .33 but does provide oral responses to the practitioner's inquiries about the matters in paragraph .33, as provided for in paragraphs .34 and .39*a*. In this case, use of the report should be restricted to the engaging party. (Ref: par. .A88)

.47 The alert should

a. state that the practitioner's report is intended solely for the information and use of the specified parties,

b. identify the specified parties for whom use is intended, and (Ref: par. .A89)

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A90–.A92)

.48 When the engagement is also performed in accordance with *Government Auditing Standards*, the alert that restricts the use of the practitioner's report should include the following information, rather than the information required by paragraph .47:

a. A description of the purpose of the report

b. A statement that the report is not suitable for any other purpose

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Reporting on Subject Matter or a Written Assertion

.49 A practitioner should report on a written assertion or directly on the subject matter.

.50 If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report.

Reference to the Practitioner's Specialist

.51 The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified conclusion. (Ref: par. .A93)

Modified Conclusions

Misstatement of Subject Matter

.52 A practitioner who is engaged to perform a review may become aware that the subject matter is misstated. If the misstatement is not corrected, the practitioner should consider whether modification of the standard practitioner's report is sufficient to disclose the misstatement of the subject matter. (Ref: par. .A94–.A95)

.53 The practitioner should express a modified conclusion when, in the practitioner's professional judgment, the subject matter is materially misstated. In such cases, the practitioner should express a qualified conclusion or an adverse conclusion. (Ref: par. .A96)

.54 When the practitioner modifies the conclusion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the nature of the matter giving rise to the modification and, if practicable, includes the effects on the subject matter.

.55 The practitioner should express a qualified conclusion when, in the practitioner's professional judgment, the effects of a matter are material but not pervasive. A qualified conclusion is expressed as being "except for" the effects of the matter to which the qualification relates. (Ref: par. .A97–.A98)

.56 The practitioner should express an adverse conclusion when the practitioner, having obtained sufficient appropriate review evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter. (Ref: par. .A97–.A98)

.57 If the practitioner believes that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the conclusion and express a qualified or an adverse conclusion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.

.58 The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject

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matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that conclusion or to imply that the practitioner has obtained reasonable assurance.

.59 When the conclusion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner's conclusion. The practitioner should indicate in the practitioner's report that such reference does not reduce the practitioner's responsibility for that conclusion.

Scope Limitations

.60 If the practitioner is unable to obtain sufficient appropriate review evidence, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .A53 and .A99–.A101)

Responsible Party Refuses to Provide a Written Assertion

.61 If the engaging party is the responsible party and refuses to provide the practitioner with a written assertion as required by paragraph .11, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation.

.62 When the engaging party is not the responsible party and the responsible party refuses to provide the practitioner with a written assertion, the practitioner may report on the subject matter but should disclose in the practitioner's report the responsible party's refusal to provide a written assertion and should restrict the use of the practitioner's report to the engaging party. (Ref: par. .A102–.A103)

Communication Responsibilities

.63 The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, as well as uncorrected misstatements. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A104)

.64 In the event the practitioner encounters known or suspected fraud or noncompliance with laws or regulations in connection with the engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct (AICPA code) and applicable law prior to communicating such information either to the responsible party or the engaging party. (Ref: par. .A105)

Documentation

.65 The practitioner should prepare engagement documentation that is sufficient to determine the following: (Ref: par. .A106–.A109)

a. The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following:

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i. The identifying characteristics of the specific items or matters tested

ii. Who performed the engagement work and the date such work was completed

iii. The discussions with the responsible party or others about matters that, in the practitioner's professional judgment, are significant, including the nature of the significant matters discussed, and when and with whom the discussions took place

iv. When the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph .38

v. When the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .33, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .33, in accordance with paragraph .34

vi. Who reviewed the engagement work performed and the date and extent of such review

vii. If the practitioner identified information that is inconsistent with the practitioner's final conclusion regarding a significant matter, how the practitioner addressed the inconsistency

b. The results of the procedures performed and the review evidence obtained

c. If the engagement is subject to an engagement quality review,

i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review and

ii. that the engagement quality review has been completed before the release of the practitioner's review report

[As amended, effective for review engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.66 If, in circumstances such as those described in paragraph .32, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document the following:

a. The circumstances encountered

b. The new or additional procedures performed, review evidence obtained, and conclusions reached and their effect on the report

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c. When and by whom the resulting changes to the documentation were made and reviewed

Application and Other Explanatory Material

Conduct of a Review Engagement (Ref: par. .05)

.A1 For example, if a practitioner was performing a review on pro forma financial information, section 105, this section, and section 310, *Reporting on Pro Forma Financial Information*, would be relevant.

Agreeing on the Terms of the Engagement (Ref: par. .08–.09)

.A2 It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.

.A3 A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:

a. A statement that a review is designed to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria

b. A statement that the objective of a review is the expression of a conclusion in a written practitioner's report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it be in accordance with (or based on) the criteria or the responsible party's assertion in order for it to be fairly stated

.A4 Situations may exist in which the responsible party is not the engaging party and, as such, the responsibilities of each party may differ. For example, when the responsible party is not the engaging party, the engaging party may be responsible for identifying the criteria.

.A5 The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. Regardless of whether the practitioner recommends, develops, or assists in developing or identifying the criteria for the engagement, the engaging party is required to take responsibility for the criteria.

.A6 If relevant, a statement about the inherent limitations of a review engagement may indicate that "because of the inherent limitations of a review engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the review is properly planned and performed in accordance with the attestation standards."

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Requesting a Written Assertion (Ref: par. .11)

.A7 What constitutes a reasonable basis for the responsible party's assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the responsible party with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the responsible party's own processes to have a reasonable basis for its assertion.

.A8 The language of the responsible party's written assertion in paragraph .11 may need to be tailored to reflect the nature of the underlying subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .11 include the following:

- The subject matter is presented in accordance with (or based on) the criteria.
- The subject matter achieved the objectives, for example, when the objectives are the criteria.

.A9 Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner's report. Such persons may contend 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 request a written assertion from the responsible party that covers the entire relevant period or periods still applies.

.A10 Paragraph .33*a* requires the practitioner to request a written representation from the responsible party that is the same as the responsible party's assertion. If the responsible party provides the practitioner with the written representation in paragraph .33*a*, the practitioner need not request a separate written assertion, unless a separate written assertion is called for by the engagement circumstances.

.A11 Regardless of the procedures performed by the practitioner, the responsible party is required to accept responsibility for its assertion and the subject matter. An assertion based solely on the practitioner's procedures would not be considered a reasonable basis for its assertion.[2]

Planning and Performing the Engagement (Ref: par. .12–.13)

.A12 Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists. Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner. Adequate planning also

[2]The "Nonattest Services" subtopic (ET sec. 1.295) of the AICPA Code of Professional Conduct addresses the practitioner's provision of nonattest services for an attest client.

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assists the practitioner in properly assigning work to engagement team members, including participating practitioners, and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by others, such as referred-to practitioners and practitioner's specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

- The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the subject matter, and the criteria
- The expected timing and nature of the communications required
- The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party 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 and its environment, including the risks that the subject matter or assertion may be materially misstated
- Identification of intended users and their information needs and consideration of materiality and the components of attestation risk
- The risk of fraud relevant to the engagement
- The effect on the engagement of using the internal audit function

[As amended, effective for review engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A13 The practitioner may decide to discuss elements of planning with the appropriate party to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party's personnel). Although these discussions often occur, the elements of planning remain the practitioner's responsibility. When discussing planning matters, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

.A14 Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. Because of unexpected events, changes in conditions, or review evidence obtained, the practitioner may need to revise the nature, timing, and extent of planned procedures.

.A15 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

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practitioner) working without any other engagement team members. With a smaller team, coordination of and communication among team members is easier. In such cases, planning the engagement need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team.

.A16 Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when doing the following:

- Considering the characteristics of the subject matter
- Assessing the suitability of the criteria
- Considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist)
- Establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors
- Developing expectations when performing analytical procedures
- Designing and performing procedures
- Evaluating review evidence, including the reasonableness of the written representations received by the practitioner

In some review engagements, the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter.

.A17 Identifying the areas in which a material misstatement of the subject matter is likely to arise enables the practitioner to focus procedures on those areas. For example, the practitioner may focus procedures on areas that are subjective in nature.

Materiality in Planning and Performing the Engagement (Ref: par. .15)

.A18 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.

.A19 Professional judgments about materiality are made considering surrounding circumstances, but they are not affected by the level of assurance; that is, for the same intended users, materiality for a review engagement is the same as it is for an examination engagement because materiality is based on the information needs of intended users and not the level of assurance.

.A20 In general, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence

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the judgment made by intended users 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. For purposes of determining materiality, the practitioner may assume that intended users

a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.

b. understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that they have an understanding of any materiality concepts included in the criteria.

c. understand any inherent uncertainties involved in measuring or evaluating the subject matter.

d. make reasonable judgments based on the subject matter.

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.

.A21 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, for example, the wording chosen does not omit or distort the information
- The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation
- The nature of a misstatement
- Whether a misstatement affects compliance with laws or regulations
- In the case of periodic reporting on a subject matter, whether 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

.A22 Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are

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- expressed numerically or
- otherwise related to numerical values.

.A23 When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner's understanding of the subject matter and the responsible party and consideration of the nature and extent of misstatements identified in previous attestation engagements.

.A24 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 .A18–.A23. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

Procedures to Be Performed to Obtain Limited Assurance (Ref: par. .18)

.A25 The practitioner's work in forming a conclusion consists of obtaining and evaluating review evidence. In addition to inquiry, examples of procedures to obtain review evidence include the following:

- Analytical procedures
- Inspection
- Observation
- Confirmation
- Recalculation
- Reperformance

.A26 Review evidence obtained through the performance of inquiry and analytical procedures will ordinarily provide the practitioner with a reasonable basis for obtaining limited assurance. However, analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative. Additionally, analytical procedures may not provide sufficient appropriate review evidence if an expectation (see paragraph .A33) cannot be developed. Therefore, the practitioner may determine that other procedures are more effective or efficient to obtain limited assurance.

.A27 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

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examine the matter identified by the practitioner and to make adjustments to the subject matter, if appropriate.

.A28 In some cases, a subject-matter AT-C section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter AT-C section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

.A29 The results of the practitioner's procedures may modify the practitioner's risk awareness.

.A30 The practitioner may become aware of a matter that causes the practitioner to believe that the subject matter may be materially misstated. For example, when performing analytical procedures, the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. In such cases, the practitioner's investigation of such differences may include inquiring of the responsible party or performing other procedures as appropriate in the circumstances.

Analytical Procedures (Ref: par. .19–.20)

.A31 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.

.A32 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.

.A33 Analytical procedures in a review engagement are not designed to identify misstatements with the level of precision expected in an examination engagement. In an examination engagement, analytical procedures performed in response to the engagement risk involve developing expectations that are sufficiently precise to identify material misstatements. In a review engagement, the results of analytical procedures may be compared to expectations regarding the direction of trends, relationships, and ratios, rather than 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 review engagement may often be obtained by making inquiries of the responsible party and considering responses received in light of known engagement circumstances without obtaining additional review evidence as required in the case of an examination engagement.

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Fraud, Laws, and Regulations (Ref: par. .24)

.A34 In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example, do the following:

- Discuss the matter with the appropriate party
- Request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator
- Consider the implications of the matter in relation to other aspects of the engagement, including the practitioner's planning and the reliability of written representations from the responsible party
- Obtain legal advice about the consequences of different courses of action
- Communicate with third parties (for example, a regulator)
- Withdraw from the engagement when withdrawal is possible under applicable law or regulation

.A35 The actions noted in paragraph .A34 also may be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may also be appropriate to describe the matter in a separate paragraph of the practitioner's report, unless either of the following apply:

a. The practitioner 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 .60 applies.

b. The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .52–.59 apply.

Evaluating the Results of Review Procedures (Ref: par. .28–.29)

.A36 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.

.A37 "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

.A38 Sufficient appropriate review evidence is necessary to support the practitioner's conclusion and report.

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.A39 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.

.A40 Whether sufficient appropriate review evidence has been obtained on which to base the practitioner's conclusion is a matter of professional judgment. In some circumstances, the practitioner may not have obtained the review evidence that the practitioner had expected to obtain through the design and performance of procedures. In these circumstances, the practitioner may

- extend the work performed, or
- perform other procedures based on the practitioner's professional judgement to be necessary in the circumstances.

When neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate review evidence to be able to form a conclusion, a scope limitation exists, and paragraph .60 applies.

Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. .31–.32)

.A41 For certain subject-matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.

.A42 Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information

- contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies.
- obtained through other professional engagements for that entity.

.A43 If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner's report from being misled, appropriate actions the practitioner may take include

- disclosing the event in the report and modifying the practitioner's conclusion.
- withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

.A44 Subsequent to the date of the practitioner's report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the report and, if so, whether persons

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who would attach importance to these facts are currently using or are likely to use the report and related subject matter or assertion. This may include discussing the matter with the appropriate party and requesting the appropriate party's cooperation in whatever investigation or further action 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 date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter or assertion needs revision and whether the previously issued report continues to be appropriate.

.A45 Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner's report is necessary. This may be the case, for example, when

a. the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and

b. issuance of a subsequent report is not imminent.

If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends upon the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.

Written Representations (Ref: par. .33–.34)

.A46 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A47 Representations by the responsible party cannot replace other review evidence the practitioner could reasonably expect to be available. Although written representations provide 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.

.A48 A discussion of what is considered a material effect on the subject matter or assertion may be included explicitly in the representation letter in qualitative or quantitative terms.

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.A49 A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.

.A50 Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .34 and .39*a* (making inquiries of the responsible party and restricting the use of the practitioner's report).

Requested Written Representations Not Provided or Not Reliable (Ref: par. .38 and .60)

.A51 The engaging party's refusal to furnish written representations constitutes a limitation on the scope of the review. Such refusal may cause the practitioner to withdraw, when withdrawal is possible under applicable law or regulation.

.A52 The practitioner may determine, after performing the procedures in items (*a*)–(*b*) of paragraph .38, that an oral representation may provide a portion of the review evidence needed with respect to the matter addressed by the representation.

.A53 Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:

- When the engaging party does not have a relationship with the responsible party
- When the review is undertaken against the wishes of the responsible party, for example, when required by law or regulation

In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the review evidence to support a conclusion that the responsible party has taken responsibility for the subject matter.

.A54 Even when the responsible party provides oral responses to the matters in paragraph .33, the practitioner may find it appropriate to consider whether there are significant concerns about the competence, integrity, ethical values, or diligence of those providing the oral responses or whether the oral responses are otherwise not reliable and the potential effect, if any, on the practitioner's report.

.A55 Paragraph .11 provides an exception to the requirement for a written assertion when the engaging party is not the responsible party. Nonetheless, because the assertion is the representation called for by paragraph .33*a*, application of paragraph .39*a* requires the practitioner to obtain an oral assertion, when a written assertion is not obtained. Paragraph .39*b* applies when the responsible party provides neither a written nor an oral assertion.

Other Information (Ref: par. .40)

.A56 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:

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- Requesting the appropriate party to consult with a qualified third party, such as the appropriate party's legal counsel
- Obtaining legal advice about the consequences of different courses of action
- If required or permissible, communicating with third parties (for example, a regulator)
- Describing the material inconsistency in the practitioner's report
- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation

.A57 Other information does not include information contained on the appropriate party's website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .40.

Description of Criteria (Ref: par. .41)

.A58 The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter.

.A59 A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.

Forming the Conclusion (Ref: par. .42–.43)

.A60 The practitioner's professional judgment regarding what constitutes sufficient appropriate review evidence is influenced by such factors as the following:

- The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter or assertion
- The effectiveness of the responsible party's responses to address the known risks
- The experience gained during previous examination or review engagements with respect to similar potential misstatements
- The results of procedures performed, including whether such procedures identified specific misstatements
- The source and reliability of the available information
- The persuasiveness of the review evidence
- The practitioner's understanding of the responsible party and its environment

.A61 A review engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to

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change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the planned procedures were based may come to the practitioner's attention. Examples of such information include the following:

- 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.)
- The practitioner may become aware of discrepancies in relevant information or conflicting or missing review evidence.
- Procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.

.A62 In making the evaluation required by paragraph .43, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:

- The measurement or evaluation methods used when the criteria allow for choice among methods
- Significant interpretations made in applying the criteria in the engagement circumstances
- Subsequent events, depending on their nature and significance
- Whether there have been any changes in the measurement or evaluation methods used

.A63 Paragraph .43 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter, assertion, or criteria or all matters intended users may consider in making decisions based on the presentation.

Preparing the Practitioner's Report (Ref: par. .44–.45)

.A64 Oral and other forms of expressing a conclusion can be misunderstood without the support of a written practitioner's report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the internet.

.A65 This section does not require a standardized format for reporting on all review engagements. Instead, it identifies the basic elements that the practitioner's report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.

.A66 The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraph .45 or may issue a report that expands on

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or supplements those elements. In addition to the basic elements, a report may include information and explanations that are not intended to affect the practitioner's conclusion, for example, detail about the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved in the engagement, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .58, additional information is clearly separated from the practitioner's conclusion and phrased in a manner that makes it clear that it is not intended to detract from that conclusion or to imply that the practitioner has obtained reasonable assurance.

.A67 All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .49 exist.

The practitioner's report may state that the practitioner reviewed	and	concludes on
the subject matter		the subject matter
the responsible party's assertion		the responsible party's assertion
the responsible party's assertion		the subject matter

Content of the Practitioner's Report

Title (Ref: par. .45a)

.A68 A title indicating that the practitioner's report is the report of an independent practitioner (for example, "Independent Practitioner's Report," "Report of Independent Certified Public Accountant," or "Independent Accountant's Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

Criteria (Ref: par. .45d)

.A69 The practitioner's report may include the criteria or refer to them if they are included in the subject matter presentation, in the assertion, or are otherwise readily available. It may be relevant in the circumstances to disclose the source of the criteria or the relevant matters discussed in paragraph .A62.

Relevant Responsibilities (Ref: par. .45e)

.A70 Identifying relevant responsibilities informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to independently express a conclusion about it.

.A71 The practitioner may wish to expand the discussion of the responsible party's responsibility, for example, to indicate that the responsible party is responsible for the preparation and presentation of the subject matter in accordance with (or based on) the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error.

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Statement About the Subject Matter and Criteria (Ref: par. 45g)

.A72 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, section 310, *Reporting on Pro Forma Financial Information*, of the attestation standards established by the AICPA.

.A73 The language in paragraph .45*g*ii1 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 .45*g*ii1 include, "to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to

- be presented in accordance with (or based on) the criteria."
- meet the objectives," for example, when the objectives are the criteria.

Relevant Ethical Requirements (Ref: par. .45i)

.A74 Relevant ethical requirements consist of the AICPA code together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA code applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

.A75 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.

Inherent Limitations (Ref: par. .45j)

.A76 In some cases, identification of specific inherent limitations may be required by an AT-C section. To communicate specific inherent limitations, the illustrative practitioner's report on a review of pro forma financial information under section 310, for example, indicates that the objective of 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. It also indicates that the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the specified transaction (or event) actually occurred earlier.[3] When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.

[3]Paragraph .18*k* and examples 2, "Practitioner's Review Report on Pro Forma Financial Information: Unmodified Conclusion," and 3, "Practitioner's Examination Report on Pro Forma Financial Information at Year-End With a Review of Pro Forma Financial Information for a Subsequent Interim Date: Unmodified Opinion and Unmodified Conclusion," in paragraph .A24 of section 310, *Reporting on Pro Forma Financial Information*.

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Description of the Work Performed (Ref: par. .45k)

.A77 The summary of the work performed helps the intended users understand the basis for the practitioner's conclusion. The summary may be as brief as "the procedures we performed were based on our professional judgment and consisted primarily of analytical procedures and inquiries" or may be more detailed. Factors to consider in determining the level of detail to be provided in the summary of the work performed may include the following:

- Circumstances specific to the entity (for example, the differing nature of the entity's activities compared to those typical in the industry)
- Specific engagement circumstances affecting the nature and extent of the procedures performed
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation

.A78 It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the practitioner's conclusion. In most cases, this will not involve detailing the entire work plan. On the other hand, it is important that the description of the work is not so concise as to be vague or ambiguous but also not written in a way that is overstated or embellished.

Conclusion (Ref: par. .45l)

.A79 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 in accordance with [or based on] the ABC criteria.") or in terms of an assertion made by the responsible party (for example, "Based on our review, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.").

.A80 A single practitioner's report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and review level related to others, or an unmodified conclusion on some aspects or assertions and a modified conclusion on others).

.A81 A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter, in the written assertion about the subject matter, or in the report, even if the subject matter for the preceding date or period is not presented.

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Location (Ref: par. .45n)

.A82 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.

Date (Ref: par. .45o)

.A83 Including the date of the practitioner's report informs the intended users that the practitioner has considered the effect of the events that occurred up to that date on the subject matter and the report.

.A84 Because the practitioner expresses a conclusion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate review evidence has been obtained until review evidence is obtained that all the elements that the subject matter or assertion comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.

Restricted-Use Paragraph (Ref: par. .11, .33, .46, and .47b–c)

.A85 A practitioner's report for which the conditions in paragraph .46 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.

.A86 A practitioner's report that is required by paragraph .46 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.

.A87 A practitioner may also issue a single combined practitioner's report that includes

a. a practitioner's report that is required by paragraph .46 to include an alert that restricts its use and

b. a report that is for general use.

If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report required by paragraph .46 to include such an alert. In such circumstances, the use of the general use report is not affected.

.A88 The representations required by paragraph .33 include an assertion. If the engaging party is not the responsible party and the responsible party provides an oral assertion, rather than a written assertion, paragraph .46*c* calls for an alert that restricts the use of the practitioner's report to the engaging party.

.A89 The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ

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Company during some or all of the period January 1, 20XX to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

.A90 In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.

.A91 The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party, that the intended use of the report will be restricted and may obtain the responsible party's agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.

.A92 In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to the restricted-use report in which it is not named as a specified party.

Reference to the Practitioner's Specialist (Ref: par. .51)

.A93 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.

Modified Conclusions (Ref: par. .52–.53 and .55)

.A94 The two types of modified conclusions are a qualified conclusion and an adverse conclusion. The decision regarding what type of modified conclusion is appropriate depends on the following:

a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with [or based on] the criteria or may be materially misstated)

b. The practitioner's professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement

.A95 A practitioner may express an unmodified conclusion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.

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.A96 Examples of a qualified conclusion or an adverse conclusion are as follows:

- *Qualified conclusion (an example for a material but not pervasive misstatement).* "Based on our review, except for the matter(s) described in [the Basis for Qualified Conclusion section of our report], we are not aware of any material modifications that should be made to [the subject matter] for it to be in accordance with [the criteria]."
- *Adverse conclusion (an example for a material and pervasive misstatement).* "Based on our review, because of the significance of the matter described in [the Basis for Adverse Conclusion section of our report], the [subject matter] is not in accordance with [the criteria]. Had we been engaged to perform an examination, other matters might have come to our attention."

.A97 The term *pervasive* describes the effects on the subject matter of misstatements. Pervasive effects on the subject matter are those that, in the practitioner's professional judgment

a. are not confined to specific aspects of the subject matter;

b. if so confined, represent or could represent a substantial proportion of the subject matter; or

c. in relation to disclosures, are fundamental to the intended users' understanding of the subject matter.

.A98 The nature of the misstatement, and the practitioner's judgment about the pervasiveness of the effects of the material misstatement on the subject matter, affect the type of conclusion to be expressed.

*Scope Limitations (Ref: **par. .60**)*

.A99 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 practitioner expects to be able to obtain the review evidence needed to arrive at the practitioner's conclusion. (See section 105.)[4] If a further limitation is imposed by the appropriate party after a review engagement has been accepted, it may be appropriate to withdraw from the engagement, when withdrawal is possible under applicable laws and regulations.

.A100 The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation. However, when the engaging party is not the responsible party, paragraph .34 enables the practitioner to make inquiries of the responsible party, and if the responsible party's oral responses enable the practitioner to conclude that the practitioner has sufficient appropriate review evidence to form a conclusion about the subject matter, paragraph .39*a* indicates that this would not cause a scope limitation.

[4]Paragraph .29*b*iii of section 105, *Concepts Common to All Attestation Engagements*.

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Further, paragraph .39*a* requires that the practitioner's report, in these circumstances, contain an alert paragraph that restricts the use of the report to the engaging party.

.A101 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.

Responsible Party Refuses to Provide a Written Assertion (Ref: par. .62)

.A102 The following is an example of the disclosure required by paragraph .62:

> Attestation standards established by the AICPA require that we request a written statement from [*identify the responsible party*] stating that [*identify the subject matter*] that we reviewed has been accurately measured or evaluated. We requested that [*identify the responsible party*] provide such a written statement but [*identify the responsible party*] refused to do so.

.A103 The practitioner's report discussed in paragraph .62 is appropriate only when the engagement is to report on the subject matter; it is not appropriate for a report on an assertion. When reporting on an assertion, the practitioner is required to obtain a written assertion from the responsible party.

Communication Responsibilities (Ref: par. .63–.64)

.A104 Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party, include deficiencies in internal control identified during the engagement or bias in the measurement, evaluation, or disclosure of the subject matter.

.A105 Disclosure of confidential information as defined in the AICPA code requires the explicit consent of the engaging party or the responsible party, as appropriate. In circumstances in which such matters are identified, the practitioner may consider discussing with legal counsel or others prior to communicating or taking further action.

Documentation (Ref: par. .65)

.A106 Documentation includes a record of the practitioner's reasoning on all significant matters 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. [As amended, effective for review engagements beginning on or after December 15, 2025, by SSAE No. 23.]

.A107 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.

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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.

[.A108] [Paragraph deleted by the issuance of SSAE No. 23, June 2024.]

.A109 Documentation ordinarily includes a record of the following:

- Issues identified with respect to compliance with relevant ethical requirements and how they were resolved
- Conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions
- Conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements
- The nature and scope of and conclusions resulting from consultations undertaken during the engagement

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Exhibit — Illustrative Practitioner's Review Reports

.A110 The illustrative practitioner's review reports in this exhibit meet the applicable reporting requirements in paragraphs .44–.62. A practitioner may use alternative language in drafting a review report, provided that the language meets the applicable requirements in paragraphs .44–.62. The criteria for evaluating the subject matter in examples 1, 3, and 4 have been determined by the practitioner to be suitable and available to all users of the practitioner's report; therefore, these practitioner's reports may be for general use. The criteria for evaluating the subject matter in example 2 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 .47 for the information to be included in a separate paragraph of the report that contains an alert that restricts the use of the report and paragraph .48 for the content of that paragraph when the engagement is also performed in accordance with *Government Auditing Standards*.)

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Example 1: Practitioner's Review Report on Subject Matter; Unmodified Conclusion

The following is an illustrative practitioner's 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*]. XYZ Company's management is responsible for [*identify the subject matter, for example, presenting the schedule of investment returns*] in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express a conclusion on [*identify the subject matter, for example, the schedule of investment returns*] based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[*Include a description of the work performed as a basis for the practitioner's conclusion.*]

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

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

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

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[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 2: Practitioner's Review Report on an Assertion; Unmodified Conclusion; Use of the Report Is Restricted to Specified Parties

The following is an illustrative practitioner's report for a review engagement 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, is presented in accordance with (or based on) the ABC criteria set forth in Note 1*]. XYZ Company's management is responsible for its assertion. Our responsibility is to express a conclusion on management's assertion based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the 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. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[*Include a description of the work performed as a basis for the practitioner's conclusion.*]

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

[*Additional paragraphs 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 management of XYZ Company's assertion in order for it to be fairly stated.

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

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[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 3: Practitioner's Review Report on Subject Matter; Qualified Conclusion

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses a qualified conclusion because the review identified conditions that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter, based on the criteria. The practitioner has reviewed the subject matter and is also 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*]. XYZ Company's management is responsible for [*identify the subject matter, for example, presenting the schedule of investment returns*] based on [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express a conclusion on [*identify the subject matter, for example, the schedule of investment returns*] based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[*Include a description of the work performed as a basis for the practitioner's conclusion.*]

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

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

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 4: Practitioner's Review Report on Subject Matter; Adverse Conclusion

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses an adverse conclusion because the review identified conditions that, individually or in combination, result in one or more material and pervasive misstatements of the subject matter based on the criteria. The practitioner has reviewed the subject matter and is also reporting on the subject matter.

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform this engagement to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

XYZ Company has not [*describe the material and pervasive misstatement of the subject matter*]. Had XYZ Company properly accounted for [*describe the material and pervasive misstatement of the subject matter*], many elements in [*identify the subject matter, for example, the schedule of investment returns*] would have been materially affected. The effects on the [*identify the subject matter, for example, the schedule of investment returns*] have not been determined.

Based on our review, because of the significance of the matter described in the preceding paragraph [*identify the subject matter, for example, the schedule of investment returns*], is not in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*].

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[Had we been engaged to perform an examination, other matters might have come to our attention.]

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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AT-C Section 215

Agreed-Upon Procedures Engagements

(Supersedes SSAE No. 18 section 215)

Source: SSAE No. 19; SSAE No. 23.

Effective for agreed-upon procedures reports dated on or after July 15, 2021, unless otherwise indicated.

Introduction

Scope of This Section

.01 This section contains performance and reporting requirements and application guidance for all agreed-upon procedures engagements. The requirements and guidance in this section supplement the requirements and guidance in section 105, *Concepts Common to All Attestation Engagements*.

.02 An *agreed-upon procedures engagement* is an attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. Because the needs of an engaging party may vary widely, the nature, timing, and extent of the procedures may vary, as well. (Ref: par. .A1–.A2)

.03 Because the engaging party best understands its own needs, the engaging party is required to agree to the procedures and acknowledge that the procedures performed are appropriate for the intended purpose of the engagement prior to issuance of the practitioner's agreed-upon procedures report. Engagement circumstances may be such that it is appropriate for parties in addition to the engaging party to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes. The engaging party and intended users assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.

.04 In an engagement performed in accordance with this section, the practitioner does not perform an examination or a review engagement and does not provide an opinion or conclusion. Instead, the agreed-upon procedures report is in the form of procedures and findings.

.05 When a practitioner performs services pursuant to an engagement to apply agreed-upon procedures to subject matter as part of or in addition to another form of service, this section applies only to those services described herein; other professional standards would apply to the other services. Other services may include an audit, review, or compilation of a financial

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statement, another attestation service performed pursuant to the attestation standards, or a nonattest service. A practitioner's report on applying agreed-upon procedures to subject matter may be combined with a report on such other services, provided the types of services can be clearly distinguished, and the applicable standards for each service are followed.

.06 This section does not apply to engagements to issue letters (commonly referred to as *comfort letters*) to underwriters and certain other requesting parties.[1]

Effective Date

.07 This section is effective for agreed-upon procedures reports dated on or after July 15, 2021. Early implementation is permitted.

Objectives

.08 In conducting an agreed-upon procedures engagement, the objectives of the practitioner are to do the following:

a. Apply specific procedures to subject matter (Ref: par. .A3)

b. Issue a written practitioner's report that describes the procedures applied and the practitioner's findings without providing an opinion or conclusion on the subject matter

c. Communicate further as required by relevant AT-C sections

Requirements

Conduct of an Agreed-Upon Procedures Engagement

.09 In performing an agreed-upon procedures engagement, the practitioner should comply with this section, section 105, and any subject matter section that is relevant to the engagement. A subject-matter section is relevant to the engagement when it is in effect, and the circumstances addressed by the section exist. (Ref: par. .A4)

Preconditions for an Agreed-Upon Procedures Engagement

.10 Section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards, unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter.[2] When the practitioner is not independent but is required by law or regulation to accept an agreed-upon procedures engagement and report on the procedures performed and findings obtained, the practitioner's report should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the

[1]See AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties*.

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

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practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor. (Ref: par. .A5)

.11 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 section 105, are present:[3] (Ref: par. .A6–.A7)

a. The practitioner determines that procedures can be designed, performed, and reported on in accordance with this section.

b. The engaging party agrees, or will be able to agree, to the procedures and acknowledges that the procedures are appropriate for the intended purpose of the engagement. (Ref: par. .A8)

c. The procedures to be applied to the subject matter are expected to result in reasonably consistent findings.

d. When applicable, the practitioner agrees to apply a threshold for reporting exceptions established by the engaging party. (Ref: par. .A36)

.12 The practitioner should establish an understanding with the engaging party regarding the nature of the engagement, including the following:

a. The intended purpose of the engagement and the intended users of the agreed-upon procedures report

b. Whether the practitioner's agreed-upon procedures report is expected to be restricted to the use of specified parties (Ref: par. .A8–.A10)

c. Whether the engagement to be performed is pursuant to any law, regulation, or contract (Ref: par. .A11)

d. Whether parties in addition to the engaging party will be requested to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes (Ref: par. .A12–.A15)

.13 The practitioner is precluded from accepting an agreed-upon procedures engagement if the practitioner believes the intended purpose of the engagement is not clear or the engaging party will not have a basis for agreeing and acknowledging that the procedures are appropriate for the intended purpose of the engagement.

Agreeing on the Terms of the Engagement

.14 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. .A16)

.15 The agreed-upon terms of the engagement should include the following:

[3]Paragraphs .24–.28 of section 105.

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a. The nature of the engagement established pursuant to paragraph .12

b. Identification of the subject matter and the responsible party

c. The responsibilities of the practitioner (Ref: par. .A17–.A18)

d. A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA

e. A statement that the responsible party is responsible for the subject matter (Ref: par. .A19)

f. A statement that the engaging party agrees to provide the practitioner, prior to the completion of the engagement, with a written agreement and acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement. (Ref: par. .A20)

g. A statement that the engaging party agrees to provide, at the conclusion of the engagement, a representation letter.

h. If known at the onset of the engagement, an identification of any other parties, in addition to the engaging party, that will be requested to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes. If the request is expected to be made by the engaging party, a statement that the engaging party agrees to provide, at the conclusion of the engagement, a written representation that the engaging party has obtained from all necessary other parties agreement to the procedures and acknowledgment that the procedures performed are appropriate for their purposes.

i. If the engaging party is not the responsible party, a statement that written representations may be requested from the responsible party.

j. Reference to the expected form and content of the practitioner's agreed-upon procedures report, including any use restrictions, if applicable.

k. Disclaimers expected to be included in the practitioner's report, if applicable

l. Assistance to be provided to the practitioner, if applicable

m. Involvement of a practitioner's external specialist, if applicable

n. Specified thresholds for reporting exceptions, if applicable (Ref: par. .A37)

Procedures to Be Performed

.16 The practitioner should perform procedures agreed to and acknowledged by the engaging party to meet the intended purpose of the engagement established with the engaging party pursuant to paragraph .12*a*. (Ref: par. .A21–.A26).

.17 The practitioner should not perform procedures that are open to varying interpretations or that use vague or ambiguous language. Terms of uncertain meaning (such as *general review*, *limited review*, *check*, or *test*) should not be used in describing the procedures unless such terms are defined within the procedures. (Ref: par. .A27)

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.18 The practitioner should obtain evidence from applying the procedures to provide a reasonable basis for the finding or findings expressed in the practitioner's report but need not perform additional procedures outside the scope of the engagement to gather additional evidence.

Using the Work of a Practitioner's External Specialist

.19 The practitioner and the engaging party should explicitly agree to the involvement of a practitioner's external specialist if assisting a practitioner in the performance of an agreed-upon procedures engagement. (Ref: par. .A28–.A30)

.20 The practitioner's report should describe the nature of the assistance provided by the practitioner's external specialist.

Using the Work of Internal Auditors

.21 The procedures to be enumerated or referred to in the practitioner's report should be performed by the engagement team, which may include participating practitioners, and not by internal auditors. (Ref: par. .A31–.A33) [As amended, effective for agreed-upon procedures engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Appropriateness of the Procedures Performed

.22 Prior to the issuance of the practitioner's agreed-upon procedures report, the practitioner should obtain a written agreement of the procedures and acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement. (Ref: par. .A34–.A35)

.23 If the engaging party refuses to provide the written agreement and acknowledgment required by paragraph .22, the practitioner should withdraw from the engagement.

Findings

.24 A practitioner should present the results of applying procedures to specific subject matter in the form of findings. (Ref: par. .A36)

.25 The practitioner should report all findings from application of the procedures. If the engaging party has established a threshold for reporting exceptions, the practitioner should describe such threshold in the practitioner's report. (Ref: par. .A25, .A37, and .A47)

.26 When reporting findings, the practitioner should not (Ref: par. .A41–.A42)

a. use vague or ambiguous language. (Ref: par. .A38)

b. include terms of uncertain meaning. (Ref: par. .A39)

c. express an opinion or conclusion on the subject matter or about whether the subject matter is in accordance with (or based on) the criteria. (Ref: par. .A40)

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Written Representations

.27 The practitioner should request from the engaging party written representations in the form of a letter addressed to the practitioner. The representations should include the following: (Ref: par. .A35 and .A43)

a. A statement that the responsible party is responsible for the subject matter

b. If applicable, a statement that the engaging party has obtained from all necessary parties agreement to the procedures and acknowledgment that the procedures are appropriate for their purposes

c. A statement that it has provided the practitioner with all relevant information and access, as applicable, as agreed upon in the terms of the engagement

d. A statement that all known matters contradicting the subject matter and any communication from regulatory agencies or others affecting the subject matter have been disclosed to the practitioner, including communications received between the end of the period addressed by the subject matter and the date of the practitioner's report

e. A statement that it is not aware of any material misstatements in the subject matter

f. A statement that it has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter

g. Any additional representations that the practitioner determines are appropriate

.28 When the engaging party is not the responsible party, the practitioner should consider requesting the relevant written representations pursuant to paragraph .27 from the responsible party in the form of a letter addressed to the practitioner.

.29 The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's findings.

Requested Written Representations Not Provided or Not Reliable

.30 When one or more of the written representations that the practitioner has requested pursuant to paragraphs .27–.28 are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. .A44)

a. Discuss the matter with the engaging or responsible party, as appropriate

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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

c. If any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the practitioner's agreed-upon procedures report (Ref: par. .A45)

Preparing the Practitioner's Report

.31 The practitioner's report should be in writing. (Ref: par. .A46)

.32 The practitioner's report should be in the form of procedures and findings.

.33 If, as a result of performing procedures, the practitioner determines that the description of the procedures performed or the corresponding findings, in the practitioner's professional judgment, are misleading in the circumstances of the engagement, the practitioner should discuss the matter with the engaging party and take appropriate action. (Ref: par. .A47–.A48)

Content of the Practitioner's Agreed-Upon Procedures Report

.34 The practitioner's agreed-upon procedures report should include the following:

a. A title that includes the word *independent* to clearly indicate that it is the report of an independent accountant. (Ref: par. .A49)

b. An appropriate addressee as required by the circumstances of the engagement.

c. Identification of the engaging party.

d. Identification of the subject matter to which the procedures have been applied. (Ref: par. .A50–.A51)

e. Identification of the responsible party, including a statement that the responsible party is responsible for the subject matter. When the engaging party is not the responsible party and identification of the responsible party and its responsibility for the subject matter is based solely on representations received from the engaging party, the practitioner's agreed-upon procedures report should include a statement to that effect. (Ref: par. .A52)

f. A statement that the engaging party acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement. (Ref: par. .A53–.A54)

g. An identification of the intended purpose of the engagement in sufficient detail to enable the user to understand the nature of the work performed. (Ref: par. .A55)

h. A statement that the practitioner's report may not be suitable for any other purpose. (Ref: par. .A56)

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i. A statement that the procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

j. A statement that an agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

k. A description of the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure.

l. A description of the findings from each procedure performed, including sufficient details on exceptions found.

m. If applicable, a description of any specified threshold established by the engaging party for reporting exceptions.

n. A statement that the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the AICPA.

o. A statement that the practitioner was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. (Ref: par. .A57)

p. A statement that the practitioner does not express such an opinion or conclusion.

q. A statement that had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported.

r. A statement that the practitioner is required to be independent of the responsible party and to meet the practitioner's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement. (Ref: par. .A58–.A59)

s. If applicable, a description of the nature of the assistance provided by a practitioner's external specialist, as discussed in paragraphs .19–.20.

t. When applicable, reservations or restrictions concerning procedures or findings. (Ref: par. .A60)

u. The manual or printed signature of the practitioner's firm. (Ref: par. .A61–.A63)

v. The city and state where the practitioner's report is issued. (Ref: par. .A64)

w. The date of the report. The practitioner's report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that

    i. the attestation documentation has been reviewed, and

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ii. if applicable, the written presentation of the subject matter has been prepared.

Alert That Restricts the Use of the Practitioner's Agreed-Upon Procedures Report

.35 The practitioner should consider whether to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report, taking into account the understanding with the engaging party regarding the nature of the engagement pursuant to paragraph .12*a*. (Ref: par. .A7 and .A65–.A69)

.36 The alert should

a. state that the practitioner's report is intended solely for the information and use of the specified parties.

b. identify the specified parties for whom use is intended. (Ref: par. .A70)

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.

Adding Other Specified Parties After the Release of the Practitioner's Report

.37 When the practitioner issues a report that includes an alert restricting the use of the practitioner's report to certain specified parties, and the engaging party subsequently requests the practitioner to add an additional specified party, the practitioner should determine whether to add the additional specified party. As part of this determination, the practitioner should consider whether (Ref: par. .A71)

a. the additional specified party has acknowledged or will be requested to acknowledge that the procedures performed are appropriate for their purposes. If the practitioner determines that the acknowledgment is necessary, the practitioner should either obtain such acknowledgment directly from the additional specified party or obtain a representation from the engaging party that the additional specified party has agreed to the procedures and acknowledged that the procedures performed are appropriate for their purposes, and

b. the report will be reissued to identify the additional specified party.

.38 If the practitioner provides a written acknowledgment to the engaging party and the additional party that such party has been added as a specified party, the practitioner should state in the acknowledgment that no procedures were performed subsequent to the original date of the practitioner's agreed-upon procedures report.

Restrictions on the Performance of Procedures

.39 When circumstances impose restrictions on the performance of the procedures, the practitioner should discuss with the engaging party whether those restrictions are

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appropriate and, if the restrictions are appropriate, describe the restrictions in the practitioner's report.

Knowledge of Matters Outside Procedures

.40 Although the practitioner need not perform procedures beyond the procedures agreed to and acknowledged by the engaging party to be appropriate for the intended purpose of the engagement, if in connection with the application of the procedures, and through the completion of the engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and take appropriate action, including determining whether the practitioner's report should be revised to disclose the matter. (Ref: par. .A72–.A73)

Communication Responsibilities

.41 In the event the practitioner encounters known or suspected fraud or noncompliance with laws or regulations in connection with the engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct and applicable law prior to communicating such information either to the responsible party or the engaging party. (Ref: par. .A74)

Documentation

.42 The practitioner should prepare engagement documentation on a timely basis that includes the following: (Ref: par. .A75–.A76)

a. The written agreement and acknowledgment from the engaging party regarding the appropriateness of the procedures performed for the intended purpose of the engagement, as required by paragraph .22

b. The nature, timing, and extent of the procedures performed to comply with relevant sections and applicable legal and regulatory requirements, including the following:

   i. The identifying characteristics of the specific items or matters tested

   ii. Who performed the engagement work and the date such work was completed

   iii. When the appropriate party will not provide one or more of the requested written representations pursuant to paragraphs .27–.28 or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph .30*a–c*

   iv. Who reviewed the engagement work performed and the date and extent of such review

c. The results of the procedures performed and the evidence obtained

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d. If the engagement is subject to an engagement quality review

   i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review and

   ii. that the engagement quality review has been completed before the release of the practitioner's agreed-upon procedures report

[As amended, effective for agreed-upon procedures engagements beginning on or after December 15, 2025, by SSAE No. 23.]

Application and Other Explanatory Material

Scope of This Section (Ref: par. .02)

.A1 Reference to "subject matter" in this section encompasses anything on which agreed-upon procedures are performed, including information, documents, measurements, or compliance with laws and regulations.

.A2 The procedures to be performed may be developed by the practitioner, the engaging party, another party, or a combination of these parties. Further, the procedures may be prescribed by law, regulation, or contract.

Objectives (Ref: par. .08*a*)

.A3 In an agreed-upon procedures engagement, the practitioner applies procedures to the subject matter of the engagement. The requirements and guidance related to the subject matter in section 105 apply.

Conduct of an Agreed-Upon Procedures Engagement (Ref: par. .09)

.A4 If a practitioner were performing an agreed-upon procedures engagement related to an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants, section 105, this section, and section 315, *Compliance Attestation*, would be relevant. In addition, there may be interpretative publications applicable to the subject matter, such as, for example, AICPA Statement of Position 17-1, *Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services as Defined by SEC Release No. 34-72936*.

Preconditions for an Agreed-Upon Procedures Engagement (Ref: par. .10–.11 and .35)

.A5 The "Agreed-Upon Procedure Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation (ET sec. 1.297.020) of the "Independence Rule" (ET sec. 1.200.001) establishes independence requirements unique to agreed-upon procedures engagements.

.A6 In determining whether procedures can be designed, performed, and reported on in accordance with this section, the practitioner may consider whether such procedures

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- are or will be subjective or require judgment to apply,
- will be selected to result only in findings that show the subject matter in a favorable light, and
- will meet the intended purpose of the engagement.

.A7 In determining whether procedures can be designed, performed, and reported on in accordance with this section, the practitioner may need to obtain an understanding of the criteria or measurement framework used in developing the subject matter.

.A8 The intended purpose of the engagement is determined by the engaging party. Consideration of the intended purpose of the engagement and the intended users of the practitioner's agreed-upon procedures report informs the practitioner's professional judgment about whether it is practical or necessary to obtain the agreement of those intended users and whether to restrict the use of the report as discussed in paragraphs .35–.36.

.A9 The engagement may be required by law, regulation, or contract or may arise as a result of a request by a third party or the engaging party's intent to provide information to a broad class of users, such as customers.

.A10 The restriction to specified parties may or may not include parties that have agreed to the procedures and acknowledged that the procedures performed are appropriate for their purposes.

.A11 Law or regulation may require an agreed-upon procedures engagement to be performed (for example, to demonstrate compliance with requirements of specific laws or regulations). Further, the procedures to be performed may be prescribed by law, regulation, or contract. Regulatory expectations may also be set out as part of a regulatory audit or communications or requests from regulators. Law or regulation may prescribe the nature, timing, and extent of the procedures to be performed and, in some cases, the way the procedures or findings are to be described in the practitioner's report. In other circumstances, law or regulation may prescribe only the nature of the procedures to be performed or may use terms that are unclear about whether an agreed-upon procedures engagement is an acceptable service (for example, terms requiring an audit, review, examination, validation, or certification).

.A12 Based on the practitioner's understanding with the engaging party, the practitioner may consider it necessary to request a regulator to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes.

.A13 A contract may require an agreed-upon procedures engagement to be performed. Given that the procedures are being performed to satisfy the obligations or expectations of the parties to the contract, unless the procedures, or a detailed description of the nature of the procedures, are included in the contract, all users of the practitioner's agreed-upon procedures report ordinarily would agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes.

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.A14 For example, a practitioner may be engaged to perform procedures relating to a securitization transaction. In such circumstances, the practitioner and engaging party may identify other parties, such as underwriters, to request to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes.

.A15 Nothing precludes the practitioner and engaging party from agreeing to the type of communication or acknowledgment to be used to obtain the agreement and acknowledgment of parties other than the engaging party that the procedures performed are appropriate for their purposes and who would make the communication. If the practitioner intends to communicate directly with a party other than the engaging party, the rules regarding confidential information as set forth in the AICPA Code of Professional Conduct apply.

Agreeing on the Terms of the Engagement (Ref: par. .14–.15)

.A16 It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances. Illustrations of engagement letters for an agreed-upon procedures engagement are presented in exhibit A, "Illustrative Engagement Letters for an Agreed-Upon Procedures Engagement." [Revised, December 2022, to reflect addition of exhibit A.]

.A17 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, accumulating the findings, and preparing the practitioner's report.

.A18 The practitioner has no responsibility to determine the differences between the procedures to be performed and the procedures that the practitioner would have determined to be necessary had the practitioner been engaged to perform another form of attestation engagement. The procedures that the practitioner performs pursuant to an agreed-upon procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had the practitioner been engaged to perform another form of engagement.

.A19 There may be circumstances in which the party responsible for the subject matter is not a party to the engagement. For example, the practitioner may be engaged to perform procedures with respect to benchmarking certain information in which multiple entities may be responsible for certain aspects of the information, or the information may be publicly available, such as subject matter that appears on the internet or in a public building, such as a grocery or retail store. If the practitioner is engaged to benchmark the prices of 10 products at 3 different stores on a certain date, each of the stores may be responsible for the source of the subject matter and the price that is published on the shelf.

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.A20 If the procedures are prescribed or otherwise developed by parties other than the practitioner, the agreed-upon terms of the engagement may include the procedures to be performed.

Procedures to Be Performed (Ref: par. .16–.17 and .25)

.A21 Mere reading of specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying procedures.

.A22 Examples of appropriate procedures include the following:

- Inspection of specified documents evidencing certain types of transactions or detailed attributes thereof
- Confirmation of specific information with third parties
- Comparison of documents, schedules, or analyses with certain specified attributes
- Performance of specific procedures on work performed by others
- Performance of mathematical computations

.A23 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

.A24 If the practitioner selects a sample, stating the size of the sample and how the sample was selected contributes to the specificity of the description of procedures performed (for example, 50 items starting at the 8th item and selecting every 15th item thereafter or invoices issued from May 1 to July 31, 20XX).

.A25 In certain circumstances, it may be appropriate for a planned procedure to be modified because the results of applying the procedure indicate that the procedure was not appropriately designed, and the findings would be inconsistent with the intended purpose of the engagement. However, any revisions to the descriptions of procedures performed or findings that are intended to mislead users would be inappropriate.

.A26 Examples of other information the practitioner may include are the date the procedure was performed and the sources of information used in performing the procedure.

.A27 To avoid vague or ambiguous language, the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures performed. Examples of descriptions of acceptable actions are as follows:

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- Inspect
- Confirm
- Compare
- Agree
- Trace
- Inquire
- Recalculate
- Observe
- Mathematically check

Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently precise or have an uncertain meaning:

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

Using the Work of a Practitioner's External Specialist (Ref: par. .19)

.A28 The practitioner's education and experience enable the practitioner to be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, it may be appropriate to involve a practitioner's external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances:

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- An attorney who helps with the interpretation of legal terminology in laws, regulations, rules, contracts, or grants
- A medical specialist who assists with understanding the characteristics of diagnosis codes documented in patient medical records
- An environmental engineer who assists with the interpretation of environmental remedial action regulatory directives that may affect the procedures applied to an environmental liabilities account in a financial statement
- A geologist who helps distinguish between the physical characteristics of a generic minerals group related to information to which the procedures are applied

.A29 The agreement regarding the involvement of a practitioner's external specialist may be reached when agreeing upon the terms of the engagement or as part of obtaining the engaging party's agreement to the procedures and acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement.

.A30 A practitioner may apply procedures to the report or work product of a practitioner's external specialist that does not constitute assistance by the external specialist to the practitioner in an agreed-upon procedures engagement. For example, the practitioner may reference information contained in a report of a practitioner's external specialist in describing a procedure. However, it is inappropriate for the practitioner to merely read the external specialist's report solely to describe or repeat the findings or to take responsibility for all or a portion of any procedures performed by a practitioner's external specialist or the external specialist's work product.

Using the Work of Internal Auditors or Participating Practitioners (Ref: par. .21)

.A31 Internal auditors may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.

.A32 A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may do the following:

- Repeat all or some of the procedures
- Determine whether the internal auditors' documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors

.A33 It is inappropriate for the practitioner to do the following:

- Merely read the internal auditors' report solely to describe or repeat their findings

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- Take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner's own
- Report in any manner that implies shared responsibility for the procedures with the internal auditors

Appropriateness of the Procedures Performed (Ref: par. .22 and .27)

.A34 The practitioner's communication with the engaging party enables the engaging party, if not already aware, to be made aware of the specific procedures performed and affords the engaging party an opportunity to suggest alternative or additional procedures that the engaging party may feel are appropriate in order to meet the intended purpose of the engagement.

.A35 The written agreement of the procedures and acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement may be documented in the engagement letter, an addendum to the engagement letter, a representation letter, or some other form of written communication.

Findings (Ref: par. .11*d*, .15*n*, and .24–.26)

.A36 *Findings* are the factual results of procedures performed. Findings are capable of being objectively verified and objectively described, which means that procedures to be applied to the subject matter are expected to result in reasonably consistent findings. Accordingly, findings exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make.

.A37 A threshold for reporting exceptions does not apply to findings reported in an agreed-upon procedures engagement unless such threshold is established by the engaging party. An example of language that describes a threshold for reporting exceptions is as follows: "For purposes of performing these procedures, no exceptions were reported for differences of $1,000 or less resulting solely from the rounding of amounts disclosed."

.A38 To avoid vague or ambiguous language, the findings are described at a level of specificity sufficient for a user to understand the nature, timing, and extent of the procedures and findings.

.A39 If, in the practitioner's judgment, certain terms are potentially uncertain in meaning, the practitioner may consider whether a glossary is appropriate in the circumstances.

.A40 An example of language that should not be used in reporting findings is as follows:

> Nothing came to our attention that caused us to believe that the subject matter is not in accordance with (or based on) the criteria, in all material respects.

.A41 The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain procedures.

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Appropriate Procedures	Appropriate Description of Findings	Inappropriate Description of Findings
Inspect the shipment dates for a sample (agreed-upon) of specified shipping documents and determine whether any such dates were subsequent to [*date*].	No shipment dates shown on the sample of shipping documents were subsequent to [*date*].	Nothing came to my attention as a result of applying that procedure.
Recalculate the number of blocks of streets paved during the year ended [*date*], shown on contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics as of [*date*].	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.
Recalculate the rate of return on a specified investment (according to an agreed-upon formula) and determine whether the resultant percentage agrees to the percentage in an identified schedule.	No exceptions were found as a result of applying the procedure.	The resultant percentage approximated the predetermined percentage in the identified schedule.
Inspect the quality standards classification codes in identified performance test documents for products produced during [*specified period*]; compare such codes to those shown in the [*identified*] computer printout for [*specified period*] as of [*date*].	All classification codes inspected in the identified documents were the same as those shown in the computer printout, except for the following: [*List all exceptions.*]	All classification codes appeared to comply with such performance documents.
Trace all outstanding checks appearing on a bank reconciliation as of [*date*] to checks cleared in the bank statement of the subsequent month.	All outstanding checks appearing on the bank reconciliation were traced to the list of cleared checks in the subsequent month's bank statement, except for the following: [*List all exceptions.*]	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 [*date*] to the amount and invoice date shown on the corresponding outstanding invoice. Determine whether the dates on the corresponding outstanding invoices precede the date indicated on the schedule by more than 90 days.	All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over 90 days" column, and the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.	The outstanding invoice amounts agreed within approximation of the amounts shown on the schedule in the "over 90 days" column, and nothing came to our attention that the dates shown on such outstanding invoices did not precede the date indicated on the schedule by more than 90 days.
Obtain from XYZ Company [*personnel specified by management*], the [*date*] bank reconciliations. Confirm with the bank the cash on deposit as of [*date*]. Compare the balance confirmed by the bank to the	Obtained from XYZ Company [*personnel specified by management*], the [*date*] bank reconciliations. Obtained bank confirmations of the cash on deposit as of [*date*]. Compared the balance	No exceptions were identified in the confirmations received, and nothing came to our attention as a result of applying the procedures.

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Appropriate Procedures	Appropriate Description of Findings	Inappropriate Description of Findings
amount shown on the bank reconciliations.	confirmed by the bank to the amount shown on the bank reconciliations. [*List all exceptions.*]	

.A42 When a procedure is written in sufficient detail, the finding may be very brief because the practitioner does not need to repeat the procedure in describing the result. When there are no exceptions, common descriptions of results are the following:

- No exceptions were noted.
- No exceptions were [*noted* / *found* / *identified*] as a result of applying the procedure.

It is acceptable to repeat part of the procedure in the finding, such as in the following examples:

- No shipment dates shown on the sample of shipping documents were subsequent to [*date*].
- All outstanding invoice numbers, dates, and amounts agreed with the corresponding fields on the "over 90 days" column of the schedule.

If the practitioner identifies exceptions in applying the procedures, the report states them and provides some detail about the item or items involved, such as in the following examples:

- We found 14 out of the 15 items to be in agreement; the address on one item on the schedule did not agree to the [*source document*].
- The amount recalculated as a result of performing the procedure was $XXX, which did not agree with the amount of $YYYY on the [*describe supporting document*].
- Of the 30 selections made, two [*insert attribute, such as amounts, dates, names*] did not agree from the [*describe the supporting documentation*] to the [*describe the supporting documentation*].

A finding written to appear to be a fact or a conclusion would not be appropriate, such as in the following examples:

- A result stating, "We determined the current ratio of X Company at December 31, 20X4, was 2:1," could be considered a fact and is not appropriate. An appropriate description of the result could be stated as, "We recalculated the current ratio of X Company at December 31, 20X4, as 2:1."
- A result stating, "We have [*observed* / *found* / *determined*] the net sales of X Company for the year 20X4 were $X," could be considered a fact and is not appropriate. An appropriate description of the result could be stated as, "We recalculated the net sales

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of X Company for the year 20X4 based on totaling the list of invoices in the sales journal as $X."

Additionally, terms that might be construed as communicating assurance — such as *reasonable* or *adequate*, or that the results of applying the procedure were *close enough* — would not be appropriate. For example, it is inappropriate to state the following:

- The [*number of blocks of streets paved*] per the [*supporting documentation*] approximated the [*number of blocks of streets paved*] included in the chart of performance statistics for the year ended [*date*].
- All [*classification codes*] appear to comply with the requirements in the contract.

Terms such as *minor*, *immaterial*, *material*, or *significant*, unless the measures of relevance comprehended by such terms are clearly defined in both the engagement letter and the practitioner's report, are not appropriate for use in expressing results of procedures. It is also inappropriate to word a finding to convey negative assurance. For example, it is inappropriate to state the following:

- Nothing came to our attention as a result of applying the procedure.
- Nothing came to our attention that caused us to believe that [*the subject matter*] is not presented in accordance with [*the criteria*].

Written Representations (Ref: par. .27)

.A43 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the engaging party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the engaging party, which may vary by entity, reflecting influences such as size and ownership characteristics.

Requested Written Representations Not Provided or Not Reliable (Ref: par. .30*c*)

.A44 Circumstances in which the practitioner may be unable to obtain requested written representations include, for example, when

- the engaging party does not have a relationship with the responsible party, and
- the agreed-upon procedures engagement is undertaken against the wishes of the responsible party, for example, when required by law or regulation.

In these or similar circumstances, the practitioner may need to reconsider whether the responsible party is able to take responsibility for the subject matter.

.A45 Although it is expected that the practitioner will be able to obtain all the requested written representations from the engaging party and, if applicable, the responsible party

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pursuant to paragraphs .27–.28, appropriate actions the practitioner might consider in the circumstances described in paragraph .30*c* include the following:

a. Determining the effect on the practitioner's report, including whether to restrict the use of the practitioner's report or whether to disclose in the practitioner's report that the engaging party or the responsible party did not provide one or more of the requested written representations

b. Withdrawing from the engagement

Preparing the Practitioner's Report (Ref: par. .25, .31, and .33)

.A46 This section does not require a standardized format for reporting on all agreed-upon procedures engagements. Instead, it identifies the basic elements that the report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, boldface text), and other mechanisms to enhance the clarity and readability of the report.

.A47 Findings may be misleading, for example, if the responsible party revises the subject matter as a result of initial findings from procedures performed, and the findings to be expressed in the report do not indicate that the subject matter was changed. In such instances, the findings may indicate that the subject matter was revised as a result of initial findings from the procedures performed and that there are no findings with respect to the revised subject matter.

.A48 Appropriate actions that the practitioner might consider in the circumstances described in paragraph .33 include

a. performing revised procedures,

b. rewording a procedure or a finding, or

c. withdrawing from the engagement.

Content of the Practitioner's Agreed-Upon Procedures Report

Title (Ref: par. .34a)

.A49 A title indicating that the practitioner's report is the report of an independent practitioner (for example, "Independent Practitioner's Report," "Report of Independent Certified Public Accountant," or "Independent Accountant's Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

Identification of the Subject Matter to Which the Procedures Have Been Applied (Ref: par. .34d)

.A50 In identifying the subject matter to which the procedures have been applied, the practitioner may describe the criteria or measurement framework used by the responsible

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party to develop the subject matter. For example, the identification of the subject matter may be "the cash and accounts receivable of XYZ Company as of December 31, 20XX in accordance with accounting principles generally accepted in the United States of America." Including additional information in the practitioner's report, particularly a general-use report, about the criteria or measurement framework used by the responsible party to develop the subject matter may assist users in determining whether the procedures are appropriate for their purposes.

.A51 A practitioner may be asked to apply procedures to more than one subject matter. In these engagements, the practitioner may issue one practitioner's report that refers to all subject matter covered. Section 315 contains an example of language that may be used in the introductory paragraph to address such circumstances.[4]

Identification of the Responsible Party (Ref: par. .34e)

.A52 The following is an example of a statement that the practitioner may include in the practitioner's report when the engaging party is not the responsible party, and identification of the responsible party and its responsibility for the subject matter is based solely on representations received from the engaging party: "In performing our agreed-upon procedures engagement, we have relied solely on representations provided by [*the engaging party*] relating to the responsible party and its responsibility for [*the subject matter*]."

Agreement to and Acknowledgment of the Appropriateness of the Procedures (Ref: par. 34f)

.A53 Although not required, the practitioner may consider adding one or more of the following statements to address the risk that a user (particularly of a general-use agreed-upon procedures report) may inappropriately conclude that parties in addition to the engaging party agreed to and acknowledged the appropriateness of the procedures:

- A statement that no other party acknowledged the appropriateness of the procedures
- An identification of any other parties who agreed to and acknowledged the appropriateness of the procedures for their purposes and a statement that these parties have acknowledged that the procedures performed are appropriate for their purposes
- A statement that the procedures are specified in a contract, law, or regulation and a reference to the contract, law, or regulation that clearly indicates that additional parties are parties to the contract, law, or regulation

.A54 Although not required, the practitioner may make an explicit statement that the practitioner makes no representation regarding the appropriateness of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose. The practitioner might make this statement to address the risk that a user may conclude that the practitioner represents that the procedures performed are appropriate for the intended purpose of the engagement or for any other purpose.

[4]Paragraph .A32 of section 315, *Compliance Attestation*.

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Description of the Intended Purpose of the Agreed-Upon Procedures Engagement (Ref: par. 34g)

.A55 Because the practitioner is precluded from expressing an opinion or conclusion, it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was prepared or is stated in accordance with specified criteria or that the practitioner performed the engagement to conclude whether the entity complied with specified criteria.

Practitioner's Report Not Suitable for Any Other Purpose (Ref: par. .34h)

.A56 The practitioner may advise users regarding inappropriate uses of the practitioner's agreed-upon procedures report. For example, the practitioner may advise that the report is not intended for making investment decisions or for use by potential lenders or investors.

Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. .34o)

.A57 If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner's report might, instead, state that the procedures do not constitute an audit (or a review) of financial statements or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the financial statements or a part thereof.

Relevant Ethical Requirements (Ref: par. .34r)

.A58 Relevant ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the Code of Professional Conduct applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

.A59 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or refer to a term that appropriately describes those sources.

Reservations or Restrictions Concerning Procedures or Findings (Ref: par. .34t)

.A60 Examples of reservations or restrictions procedures or findings may include the following:

- Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of procedures
- Description of the condition of records, controls, or data to which the procedures were applied

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- Explanation that the practitioner has no responsibility to update the practitioner's report
- Explanation that the sample may not be representative of the population

Signature of the Practitioner (Ref: par. 34u)

.A61 In some cases, law or regulation may allow for the use of electronic signatures in the practitioner's report.

.A62 In certain situations, the practitioner's report may be required by law or regulation to include the personal name and signature of the practitioner, in addition to the practitioner's firm.

.A63 *Considerations Specific to Governmental Entities*. This section would not preclude a governmental practitioner from including the personal name and signature of the practitioner in the practitioner's report when, in certain situations, the governmental practitioner is required by law or regulation or chooses to do so.

Practitioner's Address (Ref: par. .34v)

.A64 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country. The city and state where the practitioner practices may be indicated on letterhead that contains the issuing office's location.

Alert That Restricts the Use of the Practitioner's Agreed-Upon Procedures Report (Ref: par. .35–.36)

.A65 Based on the circumstances of the engagement, the practitioner may consider it appropriate to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report. Examples of situations in which the practitioner, using professional judgment, may decide to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report include the following:

- When the engaging party requests that the use of the report be restricted.
- When agreed-upon procedures are performed on compliance with aspects of contractual agreements, the practitioner may determine to restrict the use of the report to the parties to the contract or agreement.
- When agreed-upon procedures are performed to comply with regulatory requirements, the practitioner may determine to restrict the use of the report to the engaging party and the regulator.
- When agreed-upon procedures are performed relating to certain subject matter (for example, subject matter addressed in the AT-C section 300 series), the practitioner may determine to restrict the use of the report to parties that are known to understand the subject matter.

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- When agreed-upon procedures are performed on subject matter that is intended to be used by or is only available to a limited number of parties, the practitioner may determine to restrict the use of the report to such parties.
- When the procedures that the practitioner is engaged to perform are prescribed and the practitioner does not have the ability to perform or design additional procedures, the practitioner may determine to restrict the use of the report to those parties that prescribed the procedures.

.A66 A practitioner's report that includes 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. The inclusion of the separate restricted-use report does not affect the intended use of the general-use report nor does the inclusion of the general-use report affect the intended use of the restricted-use report. The restricted-use report remains restricted as to use, and the general-use report continues to be for general use.

.A67 A practitioner may also issue a single combined practitioner's report that includes (*a*) a practitioner's report that includes an alert that restricts its use and (*b*) a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report that includes the alert that restricts its use. In such circumstances, the use of the general-use report is not affected.

.A68 Law or regulation may require that a practitioner's report be made available to the public as a matter of public record.

.A69 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 report is designed to avoid misunderstandings related to the use of the practitioner's report, particularly if the practitioner's report is taken out of the context in which the practitioner's report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the practitioner's report is not intended for distribution to parties other than those specified in the practitioner's report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party that the intended use of the practitioner's report will be restricted and may obtain the engaging party's agreement that the engaging party and specified parties will not distribute such practitioner's report to parties other than those identified therein.

.A70 The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX, to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

Adding Other Specified Parties After the Release of the Practitioner's Report (Ref: par. .37)

.A71 When the practitioner is requested to add an additional specified party, the practitioner may agree to add the additional specified party based on the practitioner's

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consideration of factors such as the identity of the other parties and the intended use of the practitioner's report. The practitioner is not required to reissue the report to identify the additional specified party in the alert that restricts the use of the report, or if applicable, indicate that the additional specified party agreed to the procedures and acknowledged that the procedures performed are appropriate for their purposes. If the practitioner's report is reissued, the practitioner is not required to change the date of the report.

Knowledge of Matters Outside Procedures (Ref: par. .40)

.A72 For example, if, during the course of applying procedures regarding an entity's internal control, the practitioner becomes aware of a material weakness by means other than performance of the procedures, such matter may be included in the practitioner's report.

.A73 When the practitioner applies procedures to an element, account, or item of a financial statement and has performed an audit or review of the entity's related financial statements, and the practitioner's audit or review report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the audit or review report and the departure from the standard report in the practitioner's agreed-upon procedures report.

Communication Responsibilities (Ref: par. .41)

.A74 Disclosure of confidential information as defined in the Code of Professional Conduct requires the explicit consent of the engaging party or the responsible party, as appropriate. In circumstances in which such matters are identified, the practitioner may consider discussing with legal counsel or others prior to communicating or taking further action.

Documentation (Ref: par. .42)

.A75 Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time.

.A76 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.

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Exhibit A — Illustrative Engagement Letters for an Agreed-Upon Procedures Engagement (Ref: par. .A16)

.A77 The illustrative engagement letters presented in this exhibit are interpretative publications as defined in section 105, *Concepts Common to All Attestation Engagements*.[1]

The illustrative engagement letters in this exhibit are intended as guidance that may be used in conjunction with considerations outlined in this section. The engagement letter will vary according to individual requirements and circumstances. The practitioner may seek legal advice about whether a proposed engagement letter is suitable.

[1]Paragraph .12 of section 105, *Concepts Common to All Attestation Engagements*.

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Illustration 1 — Practitioner Will Develop the Procedures to Be Performed Over the Course of the Engagement

Circumstances include the following:

- The engaging party is the responsible party.
- The practitioner will develop the procedures to be performed over the course of the engagement and the procedures are not known at the onset of the engagement.
- It is expected that the engaging party will agree to and acknowledge that the procedures performed are appropriate for the intended purpose of the engagement in the representation letter.
- It is not expected that any parties, other than the engaging party, will be requested to agree to the procedures or acknowledge that the procedures performed are appropriate for their purposes.
- There are no specified thresholds for reporting exceptions on the overall level (thresholds may be included in individual procedures).[2]
- No disclaimers are expected to be included in the practitioner's report.
- It is not expected that assistance will be provided to the practitioner[3] or that there will be involvement of a practitioner's external specialist.
- The engagement will not be performed pursuant to any law, regulation, or contract.
- It is expected that the practitioner's agreed-upon procedures report will be for general use.

Illustrative Engagement Letter

To the appropriate representative of the engaging party:[4]

---

[2]If the engaging party specifies a threshold for reporting exceptions, the following may be added to the "Your Responsibilities" section of the engagement letter:

> You acknowledge that you have instructed us that [*describe reporting threshold; for example, only findings in excess of $[X] or [X]%*] should be used for reporting exceptions for this engagement.

[3]If assistance will be provided to the practitioner by the engaging party, the following may be added to the "Your Responsibilities" section of the engagement letter:

> The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with [*Individual's Name*], [*Title*]. The timely and accurate completion of this work is an essential condition to the completion of our engagement and issuance of our report.

[4]The addresses and references in this letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons.

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You[5] have requested that we perform an agreed-upon procedures engagement. We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to:

a. Apply specific procedures to [*identify the subject matter; for example, the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "subject matter").

b. Issue a written report that describes the procedures applied and our findings without providing an opinion or conclusion on the subject matter.

c. Communicate further as required by professional standards applicable to an agreed-upon procedures engagement.

We will develop the specific procedures as part of our engagement. Those procedures will be developed with the intention of being appropriate for the intended purpose of the engagement.

You have advised us that the intended purpose of the engagement is [*identify the intended purpose of the engagement; for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "intended purpose of the engagement") and that our report will be for general use.

We will conduct our engagement in accordance with attestation standards established by the AICPA. We are not engaged to, and will not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we will not express an opinion or conclusion. We have no responsibility to determine the differences between the procedures to be performed and the procedures we would have determined to be necessary had we been engaged to perform another form of attestation engagement. The procedures that we perform pursuant to the agreed-upon procedures engagement may be more or less extensive than the procedures that we would determine to be necessary had we been engaged to perform another form of engagement.

[*If a practitioner's external specialist is expected to be involved, include the following:*

*To assist us in performing the engagement, [*identification of external specialist*] will be involved.*]

Your Responsibilities

The engagement to be performed will be conducted on the basis that you acknowledge and understand that our role is to perform an agreed-upon procedures engagement in

[5]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *practitioner* would be used or amended as appropriate in the circumstances.

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accordance with attestation standards established by the AICPA and that you acknowledge and understand that you have responsibility

a. for the subject matter[6] and

b. to provide us, prior to the completion of the engagement, with a letter that

   i. includes a written agreement and acknowledgment that the procedures performed are appropriate for [*describe intended purpose of the engagement*] and

   ii. confirms certain representations made to us during the course of the engagement.

[If the engaging party is not the responsible party, include the following: *Written representations may also be requested from the responsible party.*]

Our Report

Upon completion of our engagement, we will issue a written report. Our report will be addressed to [*identify the appropriate addressee as required by the circumstances of the engagement, for example, the management of XYZ Fund*] and will describe the procedures performed and our findings without providing an opinion or conclusion on [*the subject matter*].

Our report will state the intended purpose of the engagement and will include a statement that you agreed to and acknowledged that the procedures are appropriate to meet the intended purpose of the engagement. The report will state that it may not be suitable for any other purpose.

Our report will include a statement that the procedures performed may not address all items of interest to the users of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

It is not expected that our report will include any use restrictions.

* * * * * *

[6]If the engaging party is not the responsible party, this element would be omitted. Instead, "Our Responsibilities" section of this illustrative engagement letter would be revised as follows:

> The objective of our engagement is to:
>
> a. Apply specific procedures to [*identify the subject matter, for example, the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "subject matter"). ***[Identify the responsible party] is responsible for the subject matter.***
>
> ...

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Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our agreed-upon procedures engagement including our respective responsibilities.

[*Practitioner's Firm*]

Acknowledged and agreed on behalf of [*identify the engaging party, for example management of XYZ Fund*] by:

[*Signed*]

[*Name and Title*]

[*Date*]

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Illustration 2 — The Procedures to Be Performed by the Practitioner Are Known at the Onset of the Engagement

Circumstances include the following:

- The engaging party is the responsible party.
- The procedures expected to be performed by the practitioner are known at the onset of the engagement and are to be included as an attachment to the engagement letter.
- The engaging party will agree to and acknowledge that the procedures are appropriate for the intended purpose of the engagement as part of the terms of the engagement.
- It is not expected that any other parties, in addition to the engaging party, will be requested to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes.
- There are no specified thresholds for reporting exceptions on the overall level (thresholds may be included in individual procedures).[7]
- No disclaimers are expected to be included in the practitioner's report.
- It is not expected that assistance will be provided to the practitioner[8] or that there will be involvement of a practitioner's external specialist.
- The engagement will not be performed pursuant to any law, regulation, or contract.
- It is expected that the practitioner's agreed-upon procedures report will be for general use.

Illustrative Engagement Letter

To the appropriate representative of the engaging party:[9]

You[10] have requested that we perform an agreed-upon procedures engagement. We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

---

[7]If the engaging party specifies a threshold for reporting exceptions, the following may be added to the "Your Responsibilities" section of the engagement letter:

> You acknowledge that you have instructed us that [*describe reporting threshold, for example, only findings in excess of $[X] or [X]%*] should be used for reporting exceptions for this engagement.

[8]If assistance will be provided to the practitioner by the engaging party, the following may be added to the "Your Responsibilities" section of the engagement letter:

> The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with [*Individual's Name*], [*Title*]. The timely and accurate completion of this work is an essential condition to our completion of our engagement and issuance of our report.

[9]The addresses and references in this letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons.

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Our Responsibilities

The objective of our engagement is to:

a. Apply specific procedures (described in the attachment to this letter) to [*identify the subject matter; for example, the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "subject matter").

b. Issue a written report that describes the procedures applied and our findings without providing an opinion or conclusion on the subject matter.

c. Communicate further as required by professional standards applicable to an agreed-upon procedures engagement.

We will conduct our engagement in accordance with attestation standards established by the AICPA. We are not engaged to, and will not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we will not express an opinion or conclusion. We have no responsibility to determine the differences between the procedures to be performed and the procedures we would have determined to be necessary had we been engaged to perform another form of attestation engagement. The procedures that we perform pursuant to the agreed-upon procedures engagement may be more or less extensive than the procedures that we would determine to be necessary had we been engaged to perform another form of engagement.

[*If a practitioner's external specialist is expected to be involved, include the following:*

*To assist us in performing the engagement, [*identification of external specialist*] will be involved.*]

Your Responsibilities

The engagement to be performed will be conducted on the basis that you acknowledge and understand that our role is to perform an agreed-upon procedures engagement in accordance with attestation standards established by the AICPA and that you acknowledge and understand that you have responsibility

a. for the subject matter;[11]

[10]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *practitioner* would be used or amended as appropriate in the circumstances.

[11]If the engaging party is not the responsible party, this element would be omitted. Instead, the "Our Responsibilities" section of this illustrative engagement letter would be revised as follows:

> The objective of our engagement is to:
>
> a. Apply specific procedures to [*identify the subject matter; for example, the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "subject matter"). ***[*Identify the responsible party*] is responsible for the subject matter.***

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b. to agree to and acknowledge that the procedures described in the attachment to this letter[12] are appropriate for [*identify the intended purpose of the engagement, for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*] (the "intended purpose of the engagement"); and

c. to provide us, prior to the completion of the engagement, with a letter that confirms certain representations made to us during the course of the engagement. If any modifications, including any additions or subtractions, are made to the procedures described in the attachment to this letter, you will agree to the procedures performed and acknowledge that such procedures are appropriate for the intended purpose of the engagement.

[If the engaging party is not the responsible party, include the following: *Written representations may also be requested from the responsible party.*]

Our Report

Upon completion of our engagement, we will issue a written report. Our report will be addressed to [*identify the appropriate addressee as required by the circumstances of the engagement; for example, the management of XYZ Fund*] and will describe the procedures performed and our findings without providing an opinion or conclusion on [*the subject matter*].

Our report will state the intended purpose of the engagement] and will include a statement that you agreed to and acknowledged that the procedures are appropriate to meet the intended purpose of the engagement. The report will state that it may not be suitable for any other purpose.

Our report will include a statement that the procedures performed may not address all items of interest to the users of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

It is not expected that our report will include any use restrictions.

* * * * * *

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our agreed-upon procedures engagement, including our respective responsibilities.

[*Practitioner's Firm*]

...

[12]The procedures may be specified in an external source such as in a regulation, statute, or on a website. In that instance, the letter may reference that source and not include the procedures as an attachment to the engagement letter.

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Acknowledged and agreed on behalf of [*identify the engaging party; for example, management of XYZ Fund*] by:

[*Signed*]

[*Name and Title*]

[*Date*]

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Illustration 3 — Procedures Expected to Be Performed by the Practitioner Are Specified in a Contract

Circumstances include the following:

- The engaging party is the responsible party.
- The practitioner has not been engaged to perform agreed-upon procedures related to the entity's compliance with specified requirements.[13] However, the engagement is required to be performed pursuant to a contract and the procedures expected to be performed by the practitioner are specified in that contract and are to be included as an attachment to the engagement letter.
- It is expected that the engaging party will agree to and acknowledge that the procedures performed are appropriate for the intended purpose of the engagement in the representation letter. The engaging party will obtain the agreement and acknowledgment of the additional parties to the contract that the procedures performed are appropriate for their purposes and include a representation that they have obtained such agreement and acknowledgment in the representation letter.
- There are no specified thresholds for reporting exceptions on the overall level (thresholds may be included in individual procedures).[14]
- No disclaimers are expected to be included in the practitioner's report.
- It is not expected that assistance will be provided to the practitioner[15] or that there will be involvement of a practitioner's external specialist.
- It is expected that the practitioner's agreed-upon procedures report will disclose that the additional parties to the contract in addition to the engaging party agreed to and acknowledged that the procedures performed are appropriate for their purposes and will be restricted to the use of those parties that have agreed to and acknowledged that the procedures performed are appropriate for their purposes.

Illustrative Engagement Letter

[13]If the practitioner is engaged to perform agreed-upon procedures related to an entity's compliance with specified requirements, such engagement would be performed in accordance with section 315, *Compliance Attestation.*

[14]If the engaging party specifies a threshold for reporting exceptions, the following may be added to the "Your Responsibilities" section of the engagement letter:

> You acknowledge that you have instructed us that [*describe reporting threshold*] should be used for reporting exceptions for this engagement.

[15]If assistance will be provided to the practitioner by the engaging party, the following may be added to the "Your Responsibilities" section of the engagement letter:

> The assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with [*Individual's Name*], [*Title*]. The
>
> timely and accurate completion of this work is an essential condition to our completion of the engagement and issuance of our report.

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To the appropriate representative of the engaging party:[16]

You[17] have requested that we perform an agreed-upon procedures engagement, which is required pursuant to [*identify the contract provision requiring the engagement; for example, Section 5 of the credit agreement between ABC Company and XYZ Lender*]. We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to:

a. Apply the specific procedures as described in the attachment to this letter to [*identify the subject matter; for example, the Schedule of Annual Targets and Thresholds as of December 31, 20XX*] (the "subject matter").

b. Issue a written report that describes the procedures applied and our findings without providing an opinion or conclusion on the subject matter.

c. Communicate further as required by professional standards applicable to an agreed-upon procedures engagement.

We will conduct our engagement in accordance with attestation standards established by the AICPA. We are not engaged to, and will not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we will not express an opinion or conclusion. We have no responsibility to determine the differences between the procedures to be performed and the procedures we would have determined to be necessary had we been engaged to perform another form of attestation engagement. The procedures that we perform pursuant to the agreed-upon procedures engagement may be more or less extensive than the procedures that we would determine to be necessary had we been engaged to perform another form of engagement.

[*If a practitioner's external specialist is expected to be involved, include the following:*

*To assist us in performing the engagement, [*identification of external specialist*] will be involved.*]

Your Responsibilities

The engagement to be performed will be conducted on the basis that you acknowledge and understand that our role is to perform an agreed-upon procedures engagement in accordance with attestation standards established by the AICPA and that you acknowledge and understand that you have responsibility

[16]The addresses and references in this letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons.

[17]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *practitioner* would be used or amended as appropriate in the circumstances.

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a. for the subject matter;[18]

b. to agree to and acknowledge that the procedures described in the attachment to this letter[19] are appropriate for [*identify the intended purpose of the engagement*] (the "intended purpose of the engagement"); and

c. to provide us, prior to the completion of the engagement, with a letter that confirms certain representations made to us during the course of the engagement. If any modifications, including any additions or subtractions, are made to the procedures described in the attachment to this letter, you will agree to the procedures performed and acknowledge that such procedures are appropriate for the intended purpose of the engagement. Additionally, you will obtain the agreement and acknowledgment of [*the expected users of the practitioner's agreed-upon procedures report; for example, the other parties to the contract*] that the procedures performed are appropriate for their purposes and the letter will include a representation that you have obtained such agreement and acknowledgment.

[If the engaging party is not the responsible party, include the following: *Written representations may also be requested from the responsible party.*]

Our Report

Upon completion of our engagement, we will issue a written report. Our report will be addressed to [*identify the appropriate addressee as required by the circumstances of the engagement; for example, the management of ABC Company*] and will describe the procedures performed and our findings without providing an opinion or conclusion on [*the subject matter*].

Our report will state the intended purpose of the engagement and will include a statement that you agreed to and acknowledged that the procedures are appropriate to meet the intended purpose of the engagement. The report will also state that [*the expected users of the practitioner's agreed-upon procedures report; for example, the other parties to the contract*] agreed to and acknowledged the appropriateness of the procedures for their purposes.[20] The report will state that it may not be suitable for any other purpose.

---

[18]If the engaging party is not the responsible party, this element would be omitted. Instead, the "Our Responsibilities" section of this illustrative engagement letter would be revised as follows:

> The objective of our engagement is to:
>
> a. Apply specific procedures to [*identify the subject matter; for example, the Schedule of Annual Targets and Thresholds as of December 31, 20X1*] (the "subject matter"). ***[*Identify the responsible party*] is responsible for the subject matter.***
>
> ...

[19]The procedures may be specified in an external source such as in a regulation, statute, or on a website. In that instance, the letter may reference that source and not include the procedures as an attachment to the engagement letter.

[20]Paragraph .A53 states that, although not required, the practitioner may include a statement in the practitioner's agreed-upon procedures report identifying any other parties who agreed to and acknowledged the

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Our report will include a statement that the procedures performed may not address all items of interest to the users of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our report will include an alert that the report is intended solely for the information and use of you and those other parties that have agreed to and acknowledged the appropriateness of the procedures for their purposes[21] and is not intended to be, and should not be, used by anyone other than these specified parties.

* * * * * *

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our agreed-upon procedures engagement, including our respective responsibilities.

[*Practitioner's Firm*]

Acknowledged and agreed on behalf of [*identify the engaging party; for example, ABC Company*] by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Paragraph added, December 2022.]

appropriateness of the procedures for their purposes and a statement that those parties have acknowledged that the procedures performed are appropriate for their purposes.

[21]If the names of the other parties are known at the time of issuing the engagement letter, replace "those other parties that have agreed to and acknowledged the appropriateness of the procedures for their purposes" with the names of those other parties.

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Exhibit B — Illustrative Practitioner's Agreed-Upon Procedures Reports

.A78 The illustrative practitioner's agreed-upon procedures reports in this exhibit meet the applicable reporting requirements in paragraphs .34–.37. A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements in paragraphs .34–.37.

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Example 1: Practitioner's Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics

Circumstances include the following:

- The engaging party is the responsible party.
- The practitioner has assisted in the development of the procedures.
- No party other than the engaging party has agreed to the procedures and acknowledged that the procedures are appropriate for their purposes.

Independent Accountant's Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*]. [*The responsible party, for example, XYZ Fund*] is responsible for [*the subject matter*].

[*The engaging party, for example, XYZ Fund*] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement, for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1*]. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[*Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found*.]

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

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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[*Additional paragraphs may be added to describe other matters.*]

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

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Example 2: Practitioner's Agreed-Upon Procedures Report Related to Cash and Accounts Receivable

Circumstances include the following:

- The engaging party is not the responsible party.
- Other than the engaging party, no other party has agreed to the procedures and acknowledged that the procedures are appropriate for their purposes.

Independent Accountant's Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the subject matter, for example, the cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of XYZ Company*]. [*The responsible party, for example, XYZ Company*] is responsible for [*the subject matter*].

[*The engaging party, for example, ABC Company*] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement, for example, assisting users in understanding cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of ABC Company*]. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

Cash

1. For the four bank accounts listed below, we obtained from XYZ Company management
    a. the December 31, 20XX, bank reconciliations and
    b. the December 31, 20XX, general ledger.
2. We performed the following procedures:
    a. Obtained a bank confirmation directly from each bank of the cash on deposit as of December 31, 20XX
    b. Compared the balance confirmed by the bank to the amount shown on the respective bank reconciliations
    c. Mathematically recomputed the bank reconciliations

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d. Compared the cash balances per book listed in the reconciliations below to the respective general ledger account balances

Cash December 31, 20XX Bank	Cash Balance per Book
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	5,000
	$110,688

We found no exceptions as a result of the procedures.

Accounts Receivable

3. We obtained the accounts receivable aged trial balance as of December 31, 20XX, from XYZ Company (attached as 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 compared the total accounts receivable per the accounts receivable aged trial balance to the total accounts receivable per general ledger account 250.

   We found no exceptions as a result of the procedures.

4. We obtained the accounts receivable subsidiary ledger as of December 31, 20XX, from XYZ Company. We compared the individual customer account balance subtotals shown in the accounts receivable aged trial balance (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.

5. We selected 50 customer account balances from exhibit A by starting at the 8th item and selecting every 15th item thereafter until 50 were selected. The sample size selected represents 9.8% of the aggregate amount of the customer account balances. We obtained the corresponding invoices from XYZ Company and traced the aging (according to invoice dates) for the 50 customer account balances shown in exhibit A to the details of outstanding invoices in the accounts receivable subsidiary ledger.

   We found no exceptions as a result of the procedures.

6. We mailed confirmations directly to the customers representing the 150 largest customer account balance subtotals selected from the accounts receivable aged trial balance, and we received responses as indicated below. 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.

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No exceptions were identified in 120 of the confirmations received. The differences in the remaining 20 confirmation replies were less than $300.

For the 10 customers that did not reply, we traced the items constituting the outstanding customer account balance to invoices and supporting shipping documents.

A summary of the confirmation results according to the respective aging categories is as follows.

	Accounts Receivable December 31, 20XX		
Aging Categories	Customer Account Balances	Confirmations Requested	Confirmations Received
Current	$156,000	$76,000	$65,000
Past due:			
Less than 1 month	60,000	30,000	19,000
1–3 months	36,000	18,000	10,000
Over 3 months	48,000	48,000	8,000
	$300,000	**$172,000**	**$102,000**

We were engaged by [*the engaging party, for example, ABC Company*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[*Additional paragraphs may be added to describe other matters.*]

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

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Example 3: Practitioner's Agreed-Upon Procedures Report in Connection With Claims of Creditors

Circumstances include the following:

- The engaging party is the responsible party.
- The engaging party and one specified party have prescribed the procedures for the practitioner to perform. The engaging party and the specified party have both agreed the procedures and have acknowledged that the procedures are appropriate for the intended purpose of the engagement and their purposes, respectively.
- The practitioner has determined to disclose in the agreed-upon procedures report that the specified party has agreed to and acknowledged that the procedures are appropriate for their purposes.
- The practitioner has determined to restrict the use of the agreed-upon procedures report to the parties that prescribed the procedures.

Independent Accountant's Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the subject matter, for example, the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A*]. [*The responsible party, for example, XYZ Company*] is responsible for [*the subject matter*].

[*The engaging party, for example, XYZ Company*] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement, for example, assisting users in understanding the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A*]. Additionally, [*identify the other party or parties that has or have agreed to and acknowledged that the procedures performed are appropriate to meet their purposes, for example, the Trustee of XYZ Company*] has agreed to and acknowledged that the procedures performed are appropriate to meet for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

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The total of the accounts payable trial balance agreed with the total accounts payable balance in the general ledger account number 450.

2. Obtained the claim form submitted by creditors in support of the amounts claimed from XYZ Company. Compared the creditor name and amounts from the claim form to the respective name and amounts shown in the accounts payable trial balance obtained in procedure 1. For any differences identified, requested XYZ Company to provide supporting detail. Compared such identified differences to the supporting detail provided.

   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*].

3. Using the claim form obtained in procedure 2, compared the name and amount to invoices, and if applicable, receiving reports, provided by XYZ Company.

   No exceptions were found as a result of this procedure.

We were engaged by [*the engaging party, for example, XYZ Company*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter, for example, the claims of creditors of XYZ Company as of May 31, 20XX, as 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.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

[*Additional paragraphs may be added to describe other matters.*]

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[*Date of the practitioner's report*]

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Example 4: Practitioner's Agreed-Upon Procedures Report in Which Procedures Are Specified in Regulation

Circumstances include the following:

- The engaging party has agreed to the procedures and acknowledged that the procedures are appropriate for the intended purpose of the engagement.
- The procedures are prescribed in regulation.
- The practitioner has determined to restrict the use of the agreed-upon procedures report to the engaging party and the regulator.

Independent Accountant's Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the subject matter, for example, the financial accounts of the engaging party during the year ended December 31, 20XX*]. [*The responsible party*] is responsible for [*the subject matter*].

[*The engaging party*] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement, for example, assisting users in understanding the financial accounts of the engaging party during the year ended December 31, 20XX*]. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[*Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found*.]

We were engaged by [*the engaging party*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of [*the responsible party*] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

[*Additional paragraphs may be added to describe other matters.*]

[*Signature of the practitioner's firm*]

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

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[Paragraph renumbered, December 2022, to reflect addition of exhibit A.]

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AT-C Section 300

SUBJECT MATTER

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AT-C Section 305

Prospective Financial Information

Source: SSAE No. 18.

Effective for practitioners' examination and agreed-upon procedures reports on prospective financial information dated on or after May 1, 2017.

Introduction

.01 This section contains performance and reporting requirements and application guidance for a practitioner examining or performing agreed-upon procedures on prospective financial information.

.02 Prospective financial information can take the form of prospective financial statements or partial presentations.

.03 The AICPA Guide *Prospective Financial Information* (guide) provides comprehensive guidance regarding prospective financial information. Chapter 6, "Preparation Guidelines," chapter 7, "Reasonably Objective Basis," chapter 8, "Presentation Guidelines," and chapter 9, "Illustrative Prospective Financial Information," of the guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The guide also includes information about the types and uses of prospective financial information and interpretive guidance for applying this section.

.04 In addition to complying with this section, a practitioner is required to comply with section 105, *Concepts Common to All Attestation Engagements*, and either section 205, *Assertion-Based Examination Engagements*, for examinations of prospective financial information, or section 215, *Agreed-Upon Procedures Engagements*, for agreed-upon procedures engagements that address prospective financial information. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 215 when describing those requirements in the context of engagements that address prospective financial information. Although not all the requirements in sections 105, 205, and 215 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and 205, or 105 and 215, as applicable. [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.05 Section 210, *Review Engagements*, states that a practitioner should not perform a review of prospective financial information.[1] Section 206, *Direct Examination Engagements*, states that section 206 is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of section 205, which includes section 305, *Prospective Financial Information*. [Revised, July 2021, to reflect conforming changes

[1]Paragraph .07 of section 210, *Review Engagements*.

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necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Effective Date

.06 This section is effective for practitioners' examination and agreed-upon procedures reports on prospective financial information dated on or after May 1, 2017.

Objectives of an Examination Engagement[2]

.07 In conducting an examination of prospective financial information, the objectives of the practitioner are to

a. obtain reasonable assurance about whether, in all material respects,
   i. the prospective financial information is presented in accordance with the guidelines for the presentation of prospective financial information established by the AICPA (AICPA presentation guidelines) (Ref: par. .A1) and
   ii. the assumptions underlying the forecast are suitably supported and provide a reasonable basis for the responsible party's forecast, or the assumptions underlying the projection are suitably supported and provide a reasonable basis for the responsible party's projection, given the hypothetical assumptions. (Ref: par. .A2)

b. express an opinion in a written report on the matters in paragraph .07*a*.

Objectives of an Agreed-Upon Procedures Engagement

.08 In conducting an agreed-upon procedures engagement for which the subject matter is prospective financial information, the objectives of the practitioner are to

a. apply specific procedures to the prospective financial information and
b. issue a written report that describes the procedures applied and the practitioner's findings without providing an opinion or conclusion on the prospective financial information.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Definitions

.09 For purposes of this section, the following terms have the meanings attributed as follows:[3]

[2]Paragraph .18 of this section requires the practitioner to request a written assertion from the responsible party. For that reason, when the term "examination" is used in this section, it refers to an "assertion-based examination" performed under section 205, *Assertion-Based Examination Engagements*, and this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Entity. Any unit, existing or to be formed, for which financial statements could be prepared in accordance with generally accepted accounting principles or special purpose frameworks. For example, an entity can be an individual, partnership, corporation, trust, estate, association, or governmental unit. (Ref: par. .A3)

Financial forecast. Prospective financial statements that present, to the best of the responsible party's knowledge and belief, an entity's expected financial position, results of operations, and cash flows. A financial forecast is based on the responsible party's assumptions reflecting conditions it expects to exist and the course of action it expects to take. A financial forecast may be expressed in specific monetary amounts as a single-point estimate of forecasted results or as a range, when the responsible party selects key assumptions to form a range within which it reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. If a forecast contains a range, the range is not selected in a biased or misleading manner (for example, a range in which one end is significantly less expected than the other). (Ref: par. .A4)

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

Guide. The AICPA Guide *Prospective Financial Information*

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

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

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

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

[3][Footnote deleted, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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Prospective financial information. Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.

Prospective financial statements. Either financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies. Although prospective financial statements may cover a period that has partially expired, statements for periods that have completely expired are not considered to be prospective financial statements. Pro forma financial statements and partial presentations are not considered to be prospective financial statements. (Ref: par. .A9–.A10)

Requirements

Preconditions for an Examination Engagement

.10 Because a financial projection is not appropriate for general use, a practitioner should not agree to the use of the practitioner's name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party. (Ref: par. .A4–.A5 and .A11)

.11 Unless required by law or regulation to do so, a practitioner should not accept an engagement to examine

a. a forecast or projection, unless the responsible party has agreed to disclose the significant assumptions

b. a projection, unless the responsible party has agreed to identify in the presentation which of the assumptions are hypothetical and to describe the limitations on the usefulness of the projection.

c. a partial presentation that does not describe the limitations on the usefulness of the presentation.

.12 A practitioner should not examine a forecast or projection that discloses none of the significant assumptions. If after accepting the engagement the practitioner determines that the forecast or projection discloses none of the significant assumptions, the practitioner should withdraw from the engagement, unless required by law or regulation to report on the forecast or projection, in which case, the practitioner should express an adverse opinion in the practitioner's report.

.13 If after accepting the engagement, the practitioner determines that the forecast or projection fails to disclose one or more of the significant assumptions, the practitioner should describe the assumption(s) in the practitioner's report and express an adverse opinion.

.14 If after accepting the engagement the practitioner determines that a projection fails to identify which of the assumptions are hypothetical or describe the limitations on the usefulness of the projection, the practitioner should withdraw from the engagement, unless

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required by law or regulation to report on the projection, in which case, the practitioner should express an adverse opinion in the practitioner's report.

Training and Proficiency

.15 The practitioner should understand the guidelines for the preparation and presentation of prospective financial information contained in the guide.

.16 The practitioner should possess or obtain a level of knowledge of the industry and the accounting principles and practices of the industry in which the entity operates, or will operate, that will enable the practitioner to examine prospective financial information that is appropriate for an entity operating in that industry.

.17 The practitioner should obtain knowledge of the key factors on which the entity's prospective financial information is based. (Ref: par. .A12)

Requesting a Written Assertion

.18 In performing an examination under this section, the practitioner should request from the responsible party a written assertion. If the responsible party refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A13) [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Planning

.19 In accordance with section 205, the practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of the engagement plan.[4] (Ref: par. .A14)

Examination Procedures

.20 The examination procedures should be based on the practitioner's consideration of the following:

a. The nature and materiality of the information to the prospective financial information taken as a whole

b. The likelihood of material misstatements

c. Knowledge obtained during current and previous engagements

d. The responsible party's competence with respect to prospective financial information

[4]Paragraph .11 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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e. The extent to which the prospective financial information is affected by the responsible party's judgment, for example, its judgment in selecting the significant assumptions used to prepare the prospective financial information

f. The support for the responsible party's assumptions

.21 The practitioner should evaluate whether the responsible party has a reasonably objective basis for the forecast and should consider whether sufficiently objective assumptions can be developed for each key factor. (Ref: par. .A15)

.22 The practitioner should perform those procedures the practitioner considers necessary in the circumstances to report on whether the assumptions underlying the forecast are suitably supported and provide a reasonable basis for the forecast, or whether the assumptions underlying the projection are suitably supported and provide a reasonable basis for the projection, given the hypothetical assumptions. (Ref: par. .A16–.A17)

.23 The practitioner should evaluate the support for the significant assumptions individually and in the aggregate. Assumptions are suitably supported if the preponderance of the information supports each significant assumption. In an examination of a projection, the practitioner need not obtain support for the hypothetical assumptions, although the practitioner should evaluate whether they are consistent with the purpose of the presentation. (Ref: par. .A18–.A20)

.24 In an evaluation of whether the assumptions provide a reasonable basis for the forecast, the practitioner should evaluate the assumptions in the aggregate. If certain assumptions do not have a material effect on the presentation, they may not have to be individually evaluated. Nonetheless, the practitioner should evaluate the aggregate effect of individually insignificant assumptions in making the practitioner's overall evaluation.

.25 The practitioner should evaluate the assumptions related to an expired portion of the prospective period. (Ref: par. .A21–.A23)

.26 In evaluating the preparation and presentation of the prospective financial information, the practitioner should perform procedures to obtain reasonable assurance about whether the

a. presentation reflects the identified assumptions,

b. computations made to translate the assumptions into prospective amounts are mathematically accurate,

c. assumptions are internally consistent,

d. accounting principles used in the forecast or projection are appropriate, (Ref: par. .A24)

e. prospective financial information is presented in accordance with the AICPA presentation guidelines, and

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f. assumptions have been adequately disclosed in accordance with the AICPA presentation guidelines.

.27 The practitioner should conclude whether the prospective financial information, including related disclosures, should be revised because of any of the following: (Ref: par. .A25)

a. Mathematical errors

b. Unreasonable or internally inconsistent assumptions

c. Inappropriate or incomplete presentation

d. Inadequate disclosure

Written Representations in an Examination Engagement

.28 In an examination of a forecast, in addition to the written representations from the responsible party required by section 205,[5] the practitioner should request from the responsible party written representations that

1. the forecast presents the expected financial position, results of operations, and cash flows for the forecast period and that the forecast reflects the responsible party's judgment, based on present circumstances, of the expected conditions and its expected course of action;
2. the assumptions on which the forecast is based are reasonable and suitably supported; and
3. if the forecast contains a range, the item or items subject to the assumptions are reasonably expected to fall within the range and that the range was not selected in a biased or misleading manner.

.29 In an examination of a projection, in addition to the written representations from the responsible party required by section 205,[6] the practitioner should request from the responsible party written representations that

a. identify the hypothetical assumptions;

b. identify which of the hypothetical assumptions, if any, are improbable;

c. describe the limitations of the usefulness of the presentation;

d. state that the responsible party is responsible for the projection presenting the expected financial position, results of operations, and cash flows for the projection

[5]Paragraph .51 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[6]See footnote 5. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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period given the hypothetical assumptions, and that the projection reflects the responsible party's judgment, based on present circumstances, of expected conditions and its expected course of action given the occurrence of the hypothetical events;

e. state that the assumptions other than the hypothetical assumptions are reasonable, given the hypothetical assumptions, and are suitably supported; and

f. state that if the projection contains a range, given the hypothetical assumptions, the item or items subject to the assumption are reasonably expected to actually fall within the range and that the range was not selected in a biased or misleading manner.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.30 In an examination of prospective information, the written representation required by section 205 regarding whether the subject matter is in accordance with (or based on) the criteria should indicate that the forecast (or projection) is presented in accordance with (or based on) the guidelines for the presentation of a forecast (or financial projection) established by the AICPA.[7] (Ref: par. .A26)

.31 In an examination of prospective financial information, the practitioner should request from the responsible party the written representations required by section 205 and paragraphs .28 or .29 of this section, as applicable, even if the engaging party is not the responsible party.[8] The alternative to obtaining the required written representations provided for in section 205 is not permitted in an engagement to examine prospective financial information.[9] The responsible party's refusal to furnish the written representations required by section 205 and paragraphs .28 or .29 of this section, as applicable, constitutes a limitation on the scope of the engagement. Such refusal is often sufficient to preclude an unmodified opinion and particularly with respect to the representations in paragraph .53 of section 205, may cause the practitioner to disclaim an opinion or withdraw from the examination engagement, when withdrawal is possible under applicable law or regulations.[10] However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate. [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[7][Footnote deleted, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

[8]See footnote 5. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[9]Paragraph .52 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[10]Paragraphs .56 and .A68 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Content of the Practitioner's Examination Report

.32 The practitioner's examination report on prospective financial information should include the following, unless the practitioner is disclaiming an opinion, in which case, items .32*f*, and .32*g* should be omitted: (Ref: par. .A27–.A30)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification of the prospective financial information being reported on, including the period of time to which the prospective financial information relates.

d. An indication that the criteria against which the prospective financial information was measured or evaluated are the guidelines for the presentation of a forecast (or projection) established by the AICPA.

e. A statement that identifies the responsible party and its responsibility for the prospective financial information being prepared and presented in accordance with the guidelines for the presentation of a forecast (or projection) established by the AICPA.

f. A statement that the practitioner's responsibility is to express an opinion on the prospective financial information, based on the practitioner's examination.

g. A statement that

   i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA. (Ref: par. A31)

   ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether the forecast (or projection) is presented in accordance with the guidelines for the presentation of a forecast (or projection) established by the AICPA, in all material respects.

   iii. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.

h. A description of the nature of an examination engagement

i. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

j. The practitioner's opinion about whether the forecast (or projection) is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast (or projection) established by the AICPA, and whether the underlying assumptions are suitably supported and provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions.

k. A statement indicating that the prospective results may not be achieved and describing other significant inherent limitations, if any.

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l. A statement that the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report.

m. The manual or printed signature of the practitioner's firm.

n. The city and state where the practitioner's report is issued.

o. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that

   i. the attestation documentation has been reviewed,

   ii. the prospective financial information has been prepared, and

   iii. the responsible party has provided a written assertion.)

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.33 When a practitioner examines a projection, the practitioner's opinion regarding the assumptions should be conditioned on the hypothetical assumptions, that is, the practitioner should express an opinion on whether the assumptions provide a reasonable basis for the projection, given the hypothetical assumptions. In addition to the required elements for a practitioner's report on an examination of a forecast, a report on an examination of a projection should include (Ref: par. .A27 and .A32–.A33)

a. an identification of the hypothetical assumptions,

b. a description of the special purpose for which the projection was prepared, and

c. an alert, in a separate paragraph, that restricts the use of the report. The alert should

   i. state that the report is intended solely for the information and use of the specified parties,

   ii. identify the specified parties for whom use is intended, and

   iii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.

d. When the engagement is also performed in accordance with *Government Auditing Standards*, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph .33*c*:

   i. a description of the purpose of the report, and

   ii. a statement that the report is not suitable for any other purpose.

.34 When the prospective financial information contains a range, the practitioner's report should also include a separate paragraph that states that the responsible party has elected

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to portray the expected results of one or more assumptions as a range. (Ref: par. .A27 and .A34)

Modified Opinions

.35 The following are circumstances that require the practitioner to modify the opinion and the type of modified opinion the practitioner should express in each circumstance: (Ref: par. .A35–.A39)

a. If, in the practitioner's judgment, the prospective financial information materially departs from AICPA presentation guidelines, the practitioner should express a qualified or adverse opinion. (Ref: par. .A36–.A37)

b. If the prospective financial information fails to disclose assumptions that, in the practitioner's professional judgment, are significant, or misapplies the accounting principles, the practitioner should express an adverse opinion. (Ref: par. .A38)

c. If the practitioner believes that one or more significant assumptions are not suitably supported or do not provide a reasonable basis for the forecast, or for the projection given the hypothetical assumptions, the practitioner should express an adverse opinion. (Ref: par. .A38)

d. If the practitioner is unable to obtain sufficient appropriate evidence, the practitioner should disclaim an opinion and describe the scope limitation in the practitioner's report. (Ref: par. .A39)

Partial Presentations

.36 When examining a partial presentation, the practitioner should give appropriate consideration to whether key factors affecting elements, accounts, or items that are interrelated with those in the partial presentation have been considered, including key factors that may not necessarily be obvious to the user of a partial presentation (for example, production capacity relative to a sales forecast), and whether all significant assumptions have been disclosed. (Ref: par. .A40–.A41 and .A29)

.37 Because partial presentations are generally appropriate only for limited use, practitioners' reports on partial presentations of both forecasted and projected financial information should include a description of any limitations on the usefulness of the presentation.

Preconditions for an Agreed-Upon Procedures Engagement

.38 In addition to determining that the preconditions for accepting or continuing an agreed-upon procedures engagement enumerated in section 105 and section 215 are met, the practitioner should not perform an agreed-upon procedures engagement on a forecast or projection unless the prospective financial information includes a summary of significant assumptions.

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Content of the Practitioner's Agreed-Upon Procedures Report

.39 The practitioner's report on the application of agreed-upon procedures to a forecast or projection should include the following: (Ref: par. .A42–.A43)

a. A title that includes the word *independent* to clearly indicate that it is the report of an independent accountant.

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification of the engaging party.

d. An identification of the prospective financial information to which the procedures have been applied.

e. A statement that identifies the responsible party and its responsibility for preparing and presenting the forecast (or projection) in accordance with the guidelines for the presentation of a forecast (or projection) established by the AICPA. When the engaging party is not the responsible party and identification of the responsible party and its responsibility for the prospective financial information is based solely on representations received from the engaging party, the practitioner's agreed-upon procedures report should include a statement to that effect.

f. A statement that the engaging party acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement.

g. An identification of the intended purpose of the engagement in sufficient detail to enable the user to understand the nature of the work performed.

h. A statement that the practitioner's report may not be suitable for any other purpose.

i. A statement that the procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

j. A statement that an agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

k. A description of the procedures performed detailing the nature and extent, and if applicable, the timing of each procedure.

l. A description of the findings from each procedure performed, including sufficient details on exceptions found. (The practitioner should not provide a conclusion.)

m. If applicable, a description of any specified threshold established by the engaging party for reporting exceptions.

n. A statement that the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the AICPA.

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o. A statement that the practitioner was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or a conclusion, respectively, on

   i. whether the presentation of the forecast (or projection) is in accordance with guidelines for the presentation of a forecast (or projection) established by the AICPA,

   ii. whether the underlying assumptions are suitably supported, and

   iii. whether the underlying assumptions provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions.

p. A statement that the practitioner does not express such an opinion or conclusion.

q. A statement that had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported.

r. A statement that the practitioner is required to be independent of the responsible party and to meet the practitioner's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement.

s. If applicable, a description of the nature of the assistance provided by a practitioner's external specialist.

t. A statement indicating that the prospective results may not be achieved and describing other significant inherent limitations, if any.

u. A statement that the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report.

v. When applicable, reservations or restrictions concerning procedures or findings.

w. The manual or printed signature of the practitioner's firm.

x. The city and state where the practitioner's report is issued.

y. The date of the report. (The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that

   i. the attestation documentation has been reviewed, and

   ii. the prospective financial information has been prepared.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Alert That Restricts the Use of the Practitioner's Agreed-Upon Procedures Report

.40 The practitioner should consider whether to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report, taking into

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account the understanding with the engaging party regarding the nature of the engagement. [Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.41 If the practitioner determines to include an alert, in a separate paragraph, that restricts the use of the practitioner's report, such alert should

a. state that the practitioner's report is intended solely for the information and use of the specified parties.

b. identify the specified parties for whom use is intended.

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.

[Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Application and Other Explanatory Material

Objectives of an Examination Engagement (Ref: par. .07*a*)

.A1 The practitioner's objective in an examination of prospective financial information is to obtain sufficient appropriate evidence to reduce attestation risk to a level that is, in the practitioner's professional judgment, acceptably low to express an opinion about whether the prospective financial information is presented in accordance with AICPA presentation guidelines and the assumptions are suitably supported and provide either a reasonable basis for the responsible party's forecast or a reasonable basis for the responsible party's projection, given the hypothetical assumptions. The practitioner's opinion does not address whether the prospective results can be achieved because events and circumstances frequently do not occur as expected, and achievement of the prospective results is dependent on the actions, plans, and assumptions of the responsible party.

.A2 The concept of *suitably supported* is discussed in paragraphs .23 and .A18–.A20.

Definitions

Entity (Ref: par. .09)

.A3 The term *entity* is used elsewhere in the attestation standards. However, the definition of the term *entity* in paragraph .09 is applicable only to this section.

Financial Forecast (Ref: par. .09–.10)

.A4 As indicated in chapter 4, "Types of Prospective Financial Information and Their Uses," of the guide, prospective financial statements are for either general use or limited use. *General use of prospective financial statements* refers to the use of the statements by persons with whom the responsible party is not negotiating directly—for example, in an offering statement of an entity's debt or equity interests. Because recipients of prospective financial

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statements distributed for general use are unable to ask the responsible party directly about the presentation, the presentation most useful to them is one that portrays, to the best of the responsible party's knowledge and belief, the expected results. Thus, only a financial forecast is appropriate for general use.

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

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

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

Partial Presentation (Ref: par. .09)

.A7 Paragraphs 8.61–.72 of the guide establishes a limitation on the use of partial presentations. Paragraph 8.59 of the guide states, in part

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

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Presentation Guidelines (Ref: par. .09)

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

Prospective Financial Statements (Ref: par. .09)

.A9 Prospective financial statements may take the form of complete financial statements or may be summarized or condensed, as described in chapter 8 of the guide. Presentations that exclude one or more relevant elements described in that section are defined as *partial presentations*. For the purposes of this section, the term *forecast* used alone means forecasted information, which can be either a full presentation (a financial forecast) or a partial presentation. The term *projection* can refer to either a financial projection or a partial presentation of projected information.

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.A10 The objective of pro forma financial information is to show what the significant effects on the historical financial statements might have been had a consummated or proposed transaction or event occurred at an earlier date. Although the transaction in question might be prospective, this section does not apply to such presentations because they are essentially historical financial statements and do not purport to be prospective financial statements. See section 310, *Reporting on Pro Forma Financial Information*.

Preconditions for an Examination Engagement (Ref: par. .10)

.A11 Paragraph .10 indicates that it is not appropriate for a practitioner to agree to the use of the practitioner's name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party. An example of such a situation is the inclusion of a financial projection in an offering statement of an entity's debt or equity interests, unless the projection is used to supplement a financial forecast for the period covered by the forecast (that is, the financial projection would be presented in the same document as the financial forecast and the period covered by the projection would not begin before, or extend beyond, the period covered by the forecast).

Training and Proficiency (Ref: par. .17)

.A12 In obtaining knowledge of the entity's business, accounting policies, and the key factors upon which its future financial results appear to depend, the practitioner may focus on areas such as the following:

- The availability and cost of resources needed to operate, for example, raw materials, labor, short-term and long-term financing, and plant and equipment.
- The nature and condition of markets in which the entity sells its goods or services, including final consumer markets if the entity sells to intermediate markets
- Factors specific to the industry, including competitive conditions, sensitivity to economic conditions, accounting policies, specific regulatory requirements, and technology
- Patterns of past performance for the entity or comparable entities, including trends in revenue and costs, turnover of assets, uses and capacities of physical facilities, and management policies

Requesting a Written Assertion (Ref: par. .18)

.A13 Paragraph .18 applies regardless of whether the responsible party is the engaging party.

Planning (Ref: par. .19)

.A14 Factors that may be considered by the practitioner in planning the examination of prospective financial information include the following:

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- The financial reporting framework to be used and the type of presentation
- Preliminary judgments about materiality levels
- Items within the prospective financial information that are subject to risk of material misstatement
- Conditions that may require extension or modification of the practitioner's examination procedures
- Knowledge of the entity's business and its industry
- The responsible party's experience in preparing prospective financial information
- The length of the period covered by the prospective financial information
- The process by which the responsible party develops its prospective financial information

Examination Procedures (Ref: par. .21–.23, .25, .26*d*, and .27)

.A15 Chapter 7 of the guide indicates that a reasonably objective basis for a forecast cannot exist if the premise on which the assumptions are based is too subjective. A forecast has to be based on a realistic premise, which has to be supportable. In contrast, the basic premise for a projection does not have to be supportable, although the hypothetical assumptions should be consistent with the purpose of the presentation. Accordingly, in a projection, the responsible party need not have a reasonably objective basis for the hypothetical assumptions.

.A16 *Forecast*. The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial forecast if the responsible party represents that the presentation reflects, to the best of its knowledge and belief, its estimate of expected financial position, results of operations, and cash flows for the prospective period, and the practitioner concludes that, based on the practitioner's examination, (*a*) the responsible party has explicitly identified all key factors expected to materially affect the operations of the entity during the prospective period and has developed appropriate assumptions with respect to such factors, and (*b*) the assumptions are suitably supported.

.A17 *Projection.* The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial projection given the hypothetical assumptions if the responsible party represents that the presentation reflects, to the best of its knowledge and belief, expected financial position, results of operations, and cash flows for the prospective period given the hypothetical assumptions, and the practitioner concludes, based on the practitioner's examination, that

a. the responsible party has explicitly identified all key factors that would materially affect the operations of the entity during the prospective period if the hypothetical assumptions were to materialize and has developed appropriate assumptions with respect to such factors, and

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b. the other assumptions are suitably supported given the hypothetical assumptions. However, as the number and significance of the hypothetical assumptions increase, the practitioner may not be able to be satisfied about the presentation as a whole by obtaining support for the remaining assumptions.

.A18 A preponderance of information exists for an assumption if the weight of available information supports that assumption. Furthermore, because of the judgments involved in developing assumptions, different people may arrive at somewhat different, but equally reasonable, assumptions based on the same information.

.A19 In evaluating support for assumptions other than hypothetical assumptions in a projection, the practitioner can conclude that they are suitably supported if the preponderance of information supports each significant assumption given the hypothetical assumptions.

.A20 Appropriate considerations for forecasts and projections include whether

a. sufficient pertinent sources of information about the assumptions have been considered. Examples of external sources the practitioner might consider are government publications, industry publications, economic forecasts, existing or proposed legislation, and reports of changing technology. Examples of internal sources are budgets, labor agreements, patents, royalty agreements and records, sales backlog records, debt agreements, and actions of the board of directors involving entity plans.

b. the assumptions are consistent with the sources from which they are derived.

c. the assumptions are consistent with each other.

d. the historical financial information and other data used in developing the assumptions are sufficiently reliable for that purpose. Reliability can be assessed by inquiry and analytical or other procedures, some of which may have been completed in past audits or reviews of the historical financial statements.

e. the historical financial information and other data used in developing the assumptions are comparable over the periods specified or whether the effects of any lack of comparability were considered in developing the assumptions.

f. the logical arguments or theory, considered with the data supporting the assumptions, are reasonable.

.A21 The procedures the practitioner performs to evaluate these assumptions depends on

- the significance of the period,
- whether financial statements have been prepared for the expired period, and
- whether the forecast or projection incorporates the historical results.

.A22 The practitioner may obtain evidence regarding the actual results by applying audit or review procedures to the historical results.

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.A23 At some point the historical results become such a large portion of the prospective results that the practitioner might consider it inappropriate to examine the prospective financial information.

.A24 Under the AICPA presentation guidelines, the accounting principles used in a projection need not be those expected to be used in the historical financial statements for the prospective period if use of a different principle is consistent with the purpose of the presentation.

.A25 The practitioner's consideration of materiality is discussed in section 205.[11] Materiality is a concept that is judged in light of the expected range of reasonableness of the information; therefore, users would not expect prospective financial information (information about events that have not yet occurred) to be as precise as historical information.

Written Representations in an Examination Engagement (Ref: par. .30)

.A26 Section 205 requires the practitioner to request written representations from the responsible party, including a representation that it has disclosed to the practitioner all known matters contradicting the subject matter.[12] Because no one can know the future, "known matters," in the context of prospective financial information, refers to what the responsible party expects. The required disclosure in the written representations relates to assumptions that are not consistent with the responsible party's expectations, or in the case of a projection, not consistent with the responsible party's expectations given the occurrence of the hypothetical assumptions.

Content of the Practitioner's Examination Report (Ref: par. .32–.34, and .36)

.A27 The list of elements in paragraphs .32–.34 constitutes all the required elements for a practitioner's report on an examination of prospective financial information, including the elements required by section 205.[13] Application guidance regarding the elements of an examination report is included in section 205.[14]

.A28 Example 1 in the exhibit, "Illustrative Practitioner's Examination and Agreed-Upon Procedures Reports Related to Prospective Financial Information," to this section provides an illustration of a practitioner's report on an examination of a financial forecast.

.A29 The requirements in paragraph .32 are applicable to practitioners' reports on prospective financial statements and on partial presentations.

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[11]Paragraph .17 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[12]Paragraph .51*c* of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[13]Paragraphs .63–.66 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[14]Paragraphs .A85–.A111 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.A30 When the practitioner's examination of prospective financial information is part of a larger engagement, for example, a financial feasibility study or business acquisition study, the practitioner may expand the practitioner's report on the examination of the prospective financial information to describe the entire engagement. Chapter 17, "The Practitioner's Examination Report," of the guide addresses reporting when the examination engagement is part of a larger engagement.

.A31 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example: AT-C section 305, *Prospective Financial Information*, of the attestation standards established by the AICPA. [Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A32 Section 205 notes that the specified parties may be identified by naming them, referring to a list of them, or identifying them as a class.[15] [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A33 Example 2 in the exhibit to this section provides an illustration of a practitioner's examination report on a financial projection. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A34 The following is an example of a separate paragraph to be added to the practitioner's report when the practitioner examines prospective financial statements, in this case, a forecast that contains a range:

> As described in the summary of significant assumptions, management of XYZ Company has elected to portray forecasted [*describe the financial statement element or elements for which the expected results of one or more assumptions fall within a range, and identify assumptions expected to fall within a range, for example, revenue in the amounts of $X,XXX and $Y,YYY, which is predicated upon occupancy rates of XX percent and YY percent of available apartments*] rather than as a single point estimate. Accordingly, the accompanying forecast presents forecasted financial position, results of operations, and cash flows [*describe one or more assumptions expected to fall within a range, for example, "at such occupancy rates"*]. However, there is no assurance that the actual results will fall within the range of [*describe one or more assumptions expected to fall within a range, for example, occupancy rates*] presented.

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Modified Opinions (Ref: par. .35)

.A35 Because of the nature, sensitivity, and interrelationship of prospective financial information, a user of a practitioner's report may find it difficult to interpret a practitioner's

[15]Paragraph .A108 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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opinion that is qualified because of a misapplication of accounting principles, the failure to disclose a significant assumption, the unreasonableness of the underlying assumptions, an assumption that is not suitably supported, or a scope limitation. Using language such as "except for . . ." in the practitioner's opinion about these items may result in misunderstanding by users of the report. For that reason, when a misapplication of accounting principles, a failure to disclose a significant assumption, an unreasonable assumption, an assumption that is not suitably supported, or a limitation on the scope of the practitioner's examination has led the practitioner to conclude that the practitioner cannot express an unmodified opinion, paragraph .35 identifies the type of modified opinion to be expressed. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A36 A qualified opinion may result from the failure to disclose matters (other than the significant assumptions) required by AICPA presentation guidelines, for example, the failure to disclose significant accounting policies, which is required by chapter 8 of the guide. (As indicated in paragraph .35*b*, the failure to disclose significant assumptions would result in an adverse opinion.) [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A37 Section 205 indicates that a qualified opinion is expressed as being "except for" the effects of the matter to which the qualification relates.[16] Section 205 also requires that the practitioner's opinion be separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities.[17] Accordingly, the opinion paragraph would refer to a separate paragraph that describes the matter giving rise to the qualification. The following is an illustration of the separate paragraph that describes the matter giving rise to the qualification and the opinion paragraph when a financial forecast contains a departure from AICPA presentation guidelines:

> The forecast does not disclose significant accounting policies. Disclosure of such policies is required by guidelines for the presentation of a forecast established by the AICPA.
>
> In our opinion, except for the omission of the disclosures related to significant accounting policies as discussed in the preceding paragraph, the accompanying forecast is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's forecast.

[Paragraph renumbered and revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A38 In an adverse opinion, the practitioner's opinion states that the presentation is not in accordance with the AICPA presentation guidelines and, when applicable, also states

[16]Paragraph .73 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[17]Paragraph .82 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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that in the practitioner's opinion, the assumptions are not suitably supported and do not provide a reasonable basis for the prospective financial statements. The following are illustrative paragraphs for use when the practitioner expresses an adverse opinion because the financial forecast contains a significant assumption that is unreasonable:

> As discussed under the caption "Sales" in the summary of significant forecast assumptions, the forecasted sales include, among other things, revenue from the Company's federal defense contracts continuing at the current level. The Company's present federal defense contracts will expire in March 20XX. No new contracts have been signed, and no negotiations are underway for new federal defense contracts. Furthermore, the federal government has entered into contracts with another company to supply the items being manufactured under the Company's present contracts.
>
> In our opinion, the accompanying forecast is not presented in accordance with the guidelines for the presentation of a forecast established by the AICPA because management's assumptions, as discussed in the preceding paragraph, are not suitably supported and do not provide a reasonable basis for management's forecast.

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A39 In a disclaimer of opinion, the paragraph of the practitioner's report that describes the matters giving rise to the opinion modification describes the respects in which the examination did not comply with attestation standards applicable to an examination engagement. The practitioner states that because of the respects in which the examination did not comply with such standards, the scope of the examination was not sufficient to enable the practitioner to express, and the practitioner does not express, an opinion on the presentation of or the assumptions underlying the forecast or projection. The following is an illustrative report on an examination of prospective financial statements, in this case, a financial forecast, for which a significant assumption could not be evaluated.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

Our responsibility is to express an opinion on the subject matter or assertion based on conducting the examination in accordance with attestation standards established by the AICPA. Because, as described in the preceding paragraph, we are unable to evaluate management's assumption regarding income from an equity investee and other assumptions that depend thereon, the scope of our work was not sufficient to express, and we do not express, an opinion with respect to the presentation of or the assumptions underlying the accompanying forecast.

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

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Partial Presentations (Ref: par. .36)

.A40 Paragraphs 8.57–.72 of the guide addresses partial presentations. [Paragraph renumbered and revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A41 The practitioner's procedures on a partial presentation may be affected by the nature of the information presented. Many elements of prospective financial statements are interrelated. The nature and extent of the procedures performed in an examination of some partial presentations may need to be similar to the procedures performed in an examination of a full presentation of prospective financial statements. For example, the scope of a practitioner's procedures when the practitioner examines forecasted results of operations (a partial presentation) would likely be similar to that of procedures used for the examination of prospective financial statements because the practitioner would most likely need to consider the interrelationships of all accounts in the examination of results of

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operations. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Content of the Practitioner's Agreed-Upon Procedures Report (Ref: par. .39)

.A42 The list of elements in paragraph .39 constitutes all the required elements for a practitioner's report on the application of agreed-upon procedures to a forecast or projection, including the elements required by section 215.[18] Application guidance regarding the elements of an agreed-upon procedures report is included in section 215.[19] [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A43 Example 3 in the exhibit to this section provides an illustration of a practitioner's agreed-upon procedures report. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

[18]Paragraph .34 of section 215A, *Agreed-Upon Procedures Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[19]Paragraphs .A49–.A64 of section 215A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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

.A44

Example 1: Practitioner's Examination Report on a Financial Forecast

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

[1]If the responsible party is other than management, the references to management in this illustrative practitioner's report would be changed to refer to the party who has responsibility for the assumptions.

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the projection is presented in accordance with the guidelines for the presentation of a projection established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the projection. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the projection, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, [*describe the hypothetical assumption(s), for example, assuming the granting of the requested loan for the purpose of expanding XYZ Company's plant as described in the summary of significant assumptions*] the projection referred to above is presented, in all material respects, in accordance with the guidelines for the presentation of a projection established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's projection given the hypothetical assumption(s).

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

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

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

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

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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

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

Independent Accountant's Agreed-Upon Procedures Report

[*Appropriate Addressee*]

We have performed the procedures enumerated below on [*identify the statements, for example, the forecasted balance sheet as of December 31, 20XX and the related forecasted statements of income, stockholders' equity, and cash flows of DEF Company, a subsidiary of ABC Company, for the year then ending*]. DEF Company's management[5] is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the AICPA.

XYZ Corporation's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of [*identify the intended purpose of the engagement*]. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[*Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found.*]

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

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

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

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We are required to be independent of XYZ Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

[*Additional paragraphs may be added to describe other matters*]

[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

[Paragraph renumbered and revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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AT-C Section 310

Reporting on Pro Forma Financial Information

Source: SSAE No. 18.

Effective for practitioners' examination and review reports on pro forma financial information dated on or after May 1, 2017.

Introduction

.01 This section contains performance and reporting requirements and application guidance for a practitioner examining or reviewing pro forma financial information.

.02 This section does not apply when

- a practitioner is performing agreed-upon procedures related to pro forma financial information. Section 105, *Concepts Common to All Attestation Engagements*, and section 215, *Agreed-Upon Procedures Engagements*, are applicable to such engagements.
- certain requesting parties request a comfort letter or ask a practitioner to perform procedures on pro forma financial information in connection with an offering. AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties*, is applicable to such engagements.
- pro forma financial information is presented outside the basic financial statements but within the same document, and the practitioner is not engaged to report on the pro forma financial information. AU-C section 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, and AU-C section 925, *Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933*, may be applicable to such engagements.
- for purposes of a more meaningful presentation, a transaction consummated after the balance sheet date is reflected in the historical financial statements (such as a revision of debt maturities or a revision of earnings per share calculations for a stock split).
- the applicable financial reporting framework requires the presentation of pro forma financial information in the financial statements or the accompanying notes. For example, generally accepted accounting principles require pro forma financial information in FASB *Accounting Standards Codification* (ASC) 805, *Business Combinations*, FASB ASC 250, *Accounting Changes and Error Corrections*, or, in some cases, pro forma financial information relating to subsequent events.

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.03 In addition to complying with this section, a practitioner is required to comply with section 105 and either section 205, *Assertion-Based Examination Engagements*, for examinations of pro forma financial information or section 210, *Review Engagements*, for reviews of pro forma financial information. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 210 when describing those requirements in the context of an examination or review of pro forma financial information. Although not all the requirements in sections 105, 205, and 210 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105, 205, and 210, as applicable.[1][Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Effective Date

.04 This section is effective for practitioners' examination and review reports on pro forma financial information dated on or after May 1, 2017.

Objectives of an Examination Engagement[2]

.05 In conducting an examination of pro forma financial information, the objectives of the practitioner are to

a. obtain reasonable assurance about whether, in accordance with (or based on) the criteria
    i. management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. .A1)
    ii. and, in all material respects
        1. the related pro forma adjustments give appropriate effect to those assumptions, and
        2. the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.

b. express an opinion in a written report on the matters in paragraph .05*a*.

Objectives of a Review Engagement

.06 In conducting a review of pro forma financial information, the objectives of the practitioner are to

[1]Section 206, *Direct Examination Engagements*, states that section 206 is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of section 205, *Assertion-Based Examination Engagements*, which includes this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[2]Paragraph .10 of this section requires the practitioner to request a written assertion from the responsible party. For that reason, when the term "examination" is used in this section, it refers to an "assertion-based examination" performed under section 205 and this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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a. obtain limited assurance about whether, in accordance with (or based on) the criteria, any material modifications should be made to

   i. management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event),

   ii. the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or

   iii. the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.

b. express a conclusion in a written report on the matters in paragraph .06*a*.

Definitions

.07 For the purposes of this section, the following terms have the meanings attributed as follows: (Ref: par. .A2–.A5)

Criteria for the preparation of pro forma financial information. The basis disclosed in the pro forma financial information that management used to develop the pro forma financial information, including the assumptions underlying the pro forma financial information. Paragraph .11 contains the attributes of suitable criteria for an examination or review of pro forma financial information.

Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.

Requirements

Preconditions for an Examination or Review Engagement

.08 In order to accept an attestation engagement to examine or review pro forma financial information, in addition to the preconditions for an attestation engagement included in sections 105 and 205, the practitioner[3]

a. should determine that the document that contains the pro forma financial information includes historical financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or that such financial statements are readily available and, if pro forma financial information is presented for an interim period, the document also either includes historical interim financial information for that period (which may be presented in condensed form) or such interim information is readily available. In

[3]Paragraphs .26–.30 of section 105A, *Concepts Common to All Attestation Engagements*, and paragraph .06 of section 205, *Examination Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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the case of a business combination, the document includes the relevant historical financial information for the significant constituent parts of the combined entity. (Ref: par. .A6–.A7)

b. should determine that the historical financial statements of the entity (or in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based, in the case of (Ref: par. .A7–.A8)

   i. an examination of pro forma financial information, have been audited, or

   ii. a review of pro forma financial information, have been audited or reviewed, (Ref: par. .A8)

   and the audit report (or the review report, if issued) is included in the document containing the pro forma financial information (or is readily available) to the extent that the historical financial information is included in the document pursuant to paragraph .08*a*.

c. will be able to obtain an appropriate level of knowledge of the accounting and financial reporting practices of the entity (or in the case of a business combination, of each significant constituent part of the combined entity) that will enable the practitioner to perform the procedures necessary to report on the pro forma financial information.

.09 The level of service provided by the practitioner on the pro forma financial information should not exceed that provided on the related historical financial statements. An examination can be performed on pro forma financial information only if the related historical financial statements were audited. A review can be performed on pro forma financial information only if the related historical financial statements were audited or reviewed. In the case of a business combination, the level of service provided by the practitioner on the pro forma financial information should not exceed the lowest level of service provided on the underlying historical financial statements of any significant constituent part of the combined entity. (Ref: par. .A9)

Requesting a Written Assertion

.10 The practitioner should request from management a written assertion. If management refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation (Ref: par. .A10)

Assessing the Suitability of the Criteria

.11 As required by section 105, the practitioner should determine whether management has used suitable criteria in preparing and presenting the pro forma financial information.[4] In assessing the suitability of the criteria, the practitioner should determine whether the criteria include, at a minimum, that

[4]Paragraph .27*b*(ii) of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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a. the financial information be extracted from audited or reviewed historical financial statements;

b. the pro forma adjustments be

   i. directly attributable to the transaction (or event),

   ii. factually supportable (Ref: par. .A11),

   iii. consistent with the entity's applicable financial reporting framework and its accounting policies under that framework; and

c. the pro forma financial information be appropriately presented and include disclosures that enable intended users to understand the information conveyed.

Understanding the Entity's Accounting and Financial Reporting Policies

.12 The practitioner who is reporting on the pro forma financial information should have or obtain an appropriate level of knowledge of the accounting and financial reporting practices of the entity (or, in the case of a business combination, each significant constituent part of the combined entity). (Ref: par. .A12)

Examination and Review Procedures

.13 The procedures the practitioner should apply to the assumptions and pro forma adjustments for either an examination or a review engagement are as follows:

a. Obtain an understanding of the underlying transaction (or event). (Ref: par. .A13)

b. Obtain an understanding of the accounting and financial reporting practices of each significant constituent part of the combined entity in a business combination that will enable the practitioner to perform the required procedures. If another practitioner has performed an audit or a review of the most recent annual or interim period for which the pro forma financial information is presented (or the most recent annual or interim period of a significant constituent part of the combined entity), the need, by a practitioner reporting on the pro forma financial information, for an understanding of such entity's accounting and financial reporting practices is not diminished. In such circumstances, the practitioner should consider whether the practitioner can acquire sufficient knowledge of these matters to perform the procedures necessary to report on the pro forma financial information.

c. Discuss with management their assumptions regarding the effects of the transaction (or event).

d. Evaluate whether pro forma adjustments are included for all significant effects directly attributable to the transaction (or event).

e. Obtain sufficient evidence in support of such adjustments. (Ref: par. .A14)

f. Evaluate whether management's assumptions that underlie the pro forma adjustments are presented in a sufficiently clear and comprehensive manner.

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g. Evaluate whether the pro forma adjustments are consistent with each other and with the data used to develop them.

h. Evaluate whether computations of pro forma adjustments are mathematically correct and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements.

i. Read the pro forma financial information and evaluate whether

   i. the underlying transaction (or event), the pro forma adjustments, the significant assumptions, and the significant uncertainties, if any, about those assumptions have been appropriately described.

   ii. the source of the historical financial information on which the pro forma financial information is based has been appropriately identified.

Written Representations in an Examination and Review Engagement

.14 In addition to the written representations from management required by section 205 for an examination engagement or by section 210 for a review engagement, the practitioner should request written representations from management that[5]

a. it is responsible for the assumptions used in determining the pro forma adjustments;

b. the assumptions are factually supportable;

c. the assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event); the related pro forma adjustments give appropriate effect to those assumptions; and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts

d. the pro forma adjustments are consistent with the entity's applicable financial reporting framework and its accounting policies under that framework

e. the pro forma financial information is appropriately presented and discloses the significant effects directly attributable to the transaction (or event). (See paragraph .11*c.*)

.15 In an examination or a review engagement, the practitioner should request from management the written representations required by section 205 or section 210, as applicable, and paragraph .14 of this section, even if the engaging party is not management. The alternative to obtaining the required written representations provided for in sections 205 and 210 is not permitted in an engagement to examine or review pro forma financial information.[6] Management's refusal to furnish the written representations

[5]Paragraph .51 of section 205 and paragraph .33 of section 210, *Review Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[6]Paragraph .52 of section 205 and paragraph .34 of section 210. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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required by section 205 and paragraph .14 of this section constitutes a limitation on the scope of the examination engagement. Such refusal is often sufficient to preclude an unmodified opinion and, particularly with respect to the representations in paragraph .53 of section 205, may cause the practitioner to disclaim an opinion or withdraw from the examination engagement, when withdrawal is possible under applicable law or regulation.[7] Management's refusal to furnish the written representations required by section 210 and paragraph .14 of this section constitutes a limitation on the scope of the review engagement sufficient to cause the practitioner to withdraw from the review engagement.[8]However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate. [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Reporting

.16 The practitioner's report on pro forma financial information may be added to the practitioner's report on historical financial information, or it may appear separately. If the reports are combined and the date of completion of the procedures for the examination or review of the pro forma financial information is after the date the practitioner obtained the evidence necessary to issue a report on the audit or review of the historical financial information, the combined report should be dual-dated. (Ref: par. .A15)

Content of the Practitioner's Examination Report

.17 The practitioner's examination report on pro forma financial information should include the following, unless the practitioner is disclaiming an opinion, in which case, items .17*j* and .17*k* should be omitted: (Ref: par. .A16)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. A reference to the pro forma adjustments included in the pro forma financial information.

d. A reference to management's description of the transaction (or event) to which the pro forma adjustments give effect. (The description is included in the pro forma financial information.)

e. An identification or description of the pro forma financial information being reported on, including the point in time or period of time to which the measurement or evaluation of the pro forma financial information relates.

f. An identification of the criteria against which the pro forma financial information was measured or evaluated.

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[7]Paragraphs .51, .56, and .A68 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[8]Paragraphs .33–.38*c* of section 210. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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g. A reference to the financial statements from which the historical financial information is derived, a statement that such financial statements were audited, and, if applicable, whether the financial statements were audited by another auditor. (The report on pro forma financial information should refer to any modification in the auditor's report on the historical financial statements. In the case of a business combination, this paragraph applies to each significant constituent part of the combined entity.) (Ref: par. .A17)

h. A statement that the pro forma adjustments are based on management's assumptions.

i. A statement that identifies management and its responsibility for the pro forma financial information.

j. A statement that the practitioner's responsibility is to express an opinion on the pro forma financial information based on the practitioner's examination.

k. A statement that

   i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA.

   ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether, in accordance with (or based on) the criteria

      1. management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event),

      2. and, in all material respects,

         A. the related pro forma adjustments give appropriate effect to those assumptions, and

         B. the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.

   iii. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.

l. An examination of pro-forma financial information involves performing procedures to obtain evidence about

   i. management's assumptions, (Ref: par. .A18)

   ii. the related pro forma adjustments, and

   iii. the pro forma amounts.

m. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

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n. A description of the objectives and limitations of pro forma financial information.

o. The practitioner's opinion about whether, in accordance with (or based on) the criteria

   i. management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event), (Ref: par. .A19)

   ii. and, in all material respects

      1. the related pro forma adjustments give appropriate effect to those assumptions, and

      2. the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.

p. When the circumstances identified in section 205 are applicable, an alert, in a separate paragraph, that restricts the use of the report or describes the purpose of the report, as applicable.[9]

q. The manual or printed signature of the practitioner's firm.

r. The city and state where the practitioner's report is issued.

s. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that

   i. the attestation documentation has been reviewed,

   ii. the pro forma financial information has been prepared, and

   iii. management has provided a written assertion.)

[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Content of the Practitioner's Review Report

.18 The practitioner's review report on pro forma financial information should include the following: (Ref: par. .A20)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. A reference to the pro forma adjustments included in the pro forma financial information.

[9]Paragraph .64 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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d. A reference to management's description of the transaction (or event) to which the pro forma adjustments give effect. (The description is included in the pro forma financial information.)

e. An identification or description of the pro forma financial information being reported on, including the point in time or period of time to which the measurement or evaluation of the pro forma financial information relates.

f. An identification of the criteria against which the pro forma financial information was measured or evaluated.

g. A reference to the financial statements from which the historical financial information is derived and (Ref: par. .A21)

    i. a statement that such financial statements were audited or reviewed, as applicable.

    ii. if the practitioner issued a review report on the historical financial statements, a statement that a review report was issued, and, if applicable, whether the financial statements were reviewed by another accountant. (The report on pro forma financial information should refer to any modification in the accountant's report on the historical financial information. In the case of a business combination, this paragraph applies to each significant constituent part of the combined entity.)

h. A statement that the pro forma adjustments are based on management's assumptions.

i. A statement that identifies

    i. management and its responsibility for the pro forma financial information.

    ii. the practitioner's responsibility to express a conclusion on the pro forma financial information based on the practitioner's review.

j. A statement that

    i. the practitioner's review was conducted in accordance with attestation standards established by the AICPA.

    ii. those standards require that the practitioner plan and perform the review to obtain limited assurance about whether, in accordance with (or based on) the criteria, any material modifications should be made to

        1. management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. .A22)

        2. the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or

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3. the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.

iii. the practitioner believes the review evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's conclusion.

iv. the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether, in accordance with (or based on) the criteria, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in order to express an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

v. the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements relating to the review engagement.

k. a description of the objectives and limitations of pro forma financial information.

l. a description of the work performed as a basis for the practitioner's conclusion.

m. the practitioner's conclusion about whether, based on the review and in accordance with (or based on) the criteria, the practitioner is aware of any material modifications that should be made to

i. management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. .A23)

ii. the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or

iii. the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.

n. When the circumstances identified in section 210 are applicable, an alert, in a separate paragraph, that restricts the use of the report or describes the purpose of the report, as applicable.[10]

o. The manual or printed signature of the practitioner's firm.

[10]Paragraph .47*c* of section 210. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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p. The city and state where the practitioner's report is issued.

q. 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 evidence that

   i. the attestation documentation has been reviewed,

   ii. the pro forma financial information has been prepared, and

   iii. management has provided a written assertion.

[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Application and Other Explanatory Material

Objectives of an Examination Engagement (Ref: par. .05a[i])

.A1 For the purposes of this section, the responsible party is management of the entity for which the practitioner is reporting on pro forma financial information.

Definitions (Ref: par. .07)

Pro Forma Financial Information

.A2 Pro forma financial information is developed by applying pro forma adjustments to historical financial information. Appropriate pro forma adjustments are based on management's assumptions, give effect to all significant effects directly attributable to the transaction (or event), and are stated on a basis consistent with the financial reporting framework of the reporting entity and its accounting policies under that framework.

.A3 Pro forma financial information is commonly used to show the effects of transactions such as the following:

- Business combination
- Change in capitalization
- Disposition of a significant portion of the business
- Change in the form of business organization or status as an autonomous entity
- Proposed sale of securities and the application of the proceeds

.A4 Adequately disclosed pro forma financial information

- is labeled as such to distinguish it from historical financial information.
- describes the transaction (or event) that is reflected in the pro forma financial information, the date on which the transaction (or event) is assumed to occur, the

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financial reporting framework of the historical financial statements, the source of the historical financial information on which it is based, the significant assumptions used to develop the pro forma adjustments, and any significant uncertainties about those assumptions.

- indicates that the pro forma financial information should be read in conjunction with related historical financial information and that the pro forma financial information is not necessarily indicative of the results (such as financial position and results of operations, as applicable) that would have been attained had the transaction (or event) actually taken place earlier.

.A5 Article 11 of Regulation S-X provides further guidance on the presentation of pro forma financial information included in filings with the SEC.

Preconditions for an Examination or Review Engagement (Ref: par. .08–.09)

.A6 For pro forma financial information included in an SEC Form 8-K, historical financial information previously included in an SEC filing would meet this requirement. Interim historical financial information may be presented as a column in the pro forma financial information.

.A7 Historical financial statements, historical interim financial information, and audit reports are deemed to be *readily available* if they are obtainable by a third-party user without any further action by the entity. (For example, historical interim financial information on an entity's website may be considered readily available, but being available upon request is not considered readily available.)

.A8 For entities within the PCAOB's jurisdiction as defined by the Sarbanes-Oxley Act of 2002, as amended, the review may be as defined in AS 4105, *Reviews of Interim Financial Information*, of the PCAOB's auditing standards. For nonissuers, the review may be an interim or annual review as described in AR-C section 90, *Review of Financial Statements*, or an interim review as discussed in AU-C section 930, *Interim Financial Information*, when the review of interim financial information meets the provisions of that section.[11] Although AS 4105 does not require an accountant to issue a written report on a review of interim financial information, the SEC requires the report to be filed if, in any filing, the entity states that the interim financial information has been reviewed by an independent public accountant.[12] [Revised, February 2017, to better reflect the AICPA Council Resolution designating the PCAOB to promulgate technical standards.]

.A9 If the underlying historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) have been audited at year-end and reviewed at an interim date, the practitioner may perform an examination or a review of the pro forma financial information at year-end, but is limited to performing a review of the pro forma financial information at the interim date.

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[11]Paragraph .04 of AR-C section 90, *Review of Financial Statements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[12]Paragraph .03 of AS 4105, *Reviews of Interim Financial Information*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Requesting a Written Assertion (Ref: par. .10)

.A10 Paragraph .10 applies regardless of whether the responsible party is the engaging party.

Assessing the Suitability of the Criteria (Ref: par. .11b[ii])

.A11 Management is responsible for having factually supportable pro forma adjustments. The pro forma adjustments are factually supportable if the preponderance of the information supports each significant assumption underlying the adjustments.

Understanding the Entity's Accounting and Financial Reporting Policies (Ref: par. .12)

.A12 Procedures to obtain knowledge of each significant constituent part of the combined entity in a business combination may include communicating with other practitioners who have audited or reviewed the historical financial information on which the pro forma financial information is based. Matters that may be considered include

- accounting principles and financial reporting practices followed;
- transactions between the entities;
- material contingencies; and
- relevant industry, legal and regulatory, and other external factors pertaining to the entity and any acquiree or divestee.

Examination and Review Procedures (Ref: par. .13a and e)

.A13 An understanding of the underlying transaction (or event) may be obtained, for example, by reading relevant contracts and minutes of meetings of the board of directors and by making inquiries of appropriate officials of the entity, and, if considered necessary in the circumstances, of the entity acquired or to be acquired.

.A14 The evidence required to support the level of assurance obtained is a matter of professional judgment. Sections 205 and 210 provide guidance about the evidence to be obtained in examination and review engagements, respectively. Examples of evidence that the practitioner might consider obtaining are purchase, merger or exchange agreements, appraisal reports, debt agreements, employment agreements, actions of the board of directors, and existing or proposed legislation or regulatory actions.

Reporting (Ref: par. .16)

.A15 The following is an example of how the report would be dual dated:

> February 15, 20X2, except for the paragraphs regarding pro forma financial information for which the date is March 20, 20X2.

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Content of the Practitioner's Examination Report (Ref: par. .17)

.A16 The list of elements in paragraph .17 constitutes all the required elements for a practitioner's examination report on pro forma financial information, including the elements required by section 205.[13] Application guidance regarding the elements of an examination report is included in section 205.[14]

Reference to Financial Statements From Which Historical Financial Information is Derived (Ref: par. .17g)

.A17 If the historical financial information was previously included in an SEC filing, the practitioner's report would be modified to indicate that the historical financial statements are "incorporated by reference."

Statement That Examination Involves Performing Procedures to Obtain Evidence About Management's Assumptions (Ref: par. .17j[iii][1])

.A18 Because a business combination accounted for in a manner similar to a pooling-of-interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a transaction that is not yet reflected in the historical financial statements or a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. Such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a practitioner's report on a business combination that will be accounted for in a manner similar to a pooling-of-interests need not address management's assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities or gives effect to other transactions (for example, a new contractual arrangement or reduction in interest expense attributable to repayment of debt).

Opinion About Management's Assumptions (Ref: par. .17l[i])

.A19 Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a modification of the practitioner's report.

Content of the Practitioner's Review Report (Ref: par. .18)

.A20 The list of elements in paragraph .18 constitutes all the required elements for a practitioner's report on a review of pro forma financial information, including the elements required by section 210.[15] Application guidance regarding the elements of a review report is included in section 210.[16]

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[13]Paragraphs .63–.66 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[14]Paragraphs .A85–.A111 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[15]Paragraphs .46–.49 of section 210. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Reference to Financial Statements From Which Historical Financial Information is Derived (Ref: par. .18g)

.A21 If the historical financial information was previously included in an SEC filing, the practitioner's report would be modified to indicate that the historical financial statements are "incorporated by reference."

Statement That the Practitioner Plans and Performs Review to Obtain Limited Assurance About Management's Assumptions (Ref: par. .18j[ii][1])

.A22 Because a business combination accounted for in a manner similar to a pooling-of-interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a transaction that is not yet reflected in the historical financial statements or a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. Such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a practitioner's report on a business combination that will be accounted for in a manner similar to a pooling-of-interests need not address management's assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities or gives effect to other transactions (for example, a new contractual arrangement or reduction in interest expense attributable to a repayment of debt).

Conclusion About Management's Assumptions (Ref: par. .18m[i])

.A23 Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a modification of the practitioner's report.

[16]Paragraphs .A61–.A80 of section 210. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Exhibit—Illustrative Practitioner's Reports for Examinations and Reviews of Pro Forma Financial Information

.A24 The illustrative practitioner's examination reports in this exhibit (examples 1, 3, 4, 5, and 6) meet the reporting requirements of section 205, *Assertion-Based Examination Engagements*, and of paragraph .17 of this section.[1] A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements of section 205 and paragraph .17 of this section.[2]

The illustrative practitioner's review reports in this exhibit (examples 2 and 3) meet the applicable reporting requirements of section 210, *Review Engagements*, and of paragraph .18 of this section.[3] A practitioner may use alternative language in drafting a review report, provided that the language meets the applicable requirements of section 210 and paragraph .18 of this section.[4]

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

[1]Paragraphs .62–.86 of section 205, *Examination Engagements*.

[2]Paragraphs .62–.86 of section 205.

[3]Paragraphs .44–.60 of section 210, *Review Engagements*.

[4]See footnote 3.

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Example 1: Practitioner's Examination Report on Pro Forma Financial Information: Unmodified Opinion

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement

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

In our opinion, based on the criteria in Note 1, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-

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mentioned transaction (or event) described in Note 1, and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 2: Practitioner's Review Report on Pro Forma Financial Information: Unmodified Conclusion

Independent Accountant's Report

[*Appropriate Addressee*]

We have reviewed the pro forma adjustments giving effect to the transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. These historical condensed financial statements are derived from the historical unaudited financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,[5] appearing elsewhere herein [*or "and are readily available"*]. The pro forma adjustments are based on management's assumptions as described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express a conclusion based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform our review to obtain limited assurance about whether, based on the criteria in Note 1, any material modifications should be made to management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event); the related pro forma adjustments, in order for them to give appropriate effect to those assumptions; or the pro forma amounts, in order for them to reflect the proper application of those adjustments to the historical financial statement amounts. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether, based on the criteria, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[5]When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate:

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

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

[*Include a description of the work performed as a basis for the practitioner's conclusion.*]

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

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

[*Date of practitioner's report*]

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

In addition, we have reviewed the pro forma adjustments and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,[6] appearing elsewhere herein [*or "and are readily available"*]. The pro forma adjustments are based on management's assumptions

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as described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express a conclusion based on our review.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform our review to obtain limited assurance about whether, based on the criteria in Note 1, any material modifications should be made to management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event); the related pro forma adjustments, in order for them to give appropriate effect to those assumptions; or the pro forma amounts, in order for them to reflect the proper application of those adjustments to the historical financial statement amounts. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether, based on the criteria, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts, in order to express an opinion. Accordingly, we do not express such an opinion on the pro forma adjustments or on the application of such adjustments to the pro forma condensed balance sheet as of March 31, 20X2, and the pro forma condensed statement of income for the three months then ended. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

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

[*Include a description of the work performed as a basis for the practitioner's conclusion.*]

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

[6]When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate:

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

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

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

[*Date of practitioner's report*]

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

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

We were unable to perform the examination procedures we considered necessary with respect to the assumptions relating to the proposed loan described in Adjustment E in Note 1.

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

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position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

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

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

[*Date of practitioner's report*]

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

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

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[*Date of the practitioner's report*]

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

Independent Accountant's Report

[*Appropriate Addressee*]

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

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

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[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 21 and 22.]

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AT-C Section 315

Compliance Attestation

Source: SSAE No. 18.

Effective for practitioners' examination reports on compliance with specified requirements and for practitioners' agreed-upon procedures reports related to compliance or internal control over compliance with specified requirements dated on or after May 1, 2017.

Introduction

.01 This section contains performance and reporting requirements and application guidance for a practitioner (Ref: par. .A1–.A3)

a. examining an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants (specified requirements) or an assertion about compliance with specified requirements.

b. performing agreed-upon procedures related to an entity's compliance with specified requirements.

c. performing agreed-upon procedures related to an entity's internal control over compliance with specified requirements.

.02 This section does not apply to

a. reviews that address compliance with specified requirements or an entity's internal control over compliance or an assertion thereon because section 210, *Review Engagements*, states that such engagements should not be performed.[1]

b. examination engagements in which a practitioner is reporting on an entity's internal control over compliance with specified requirements. (Ref: par. .A4)

c. situations in which an auditor reports on specified requirements based solely on an audit of financial statements, as addressed in AU-C section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements*.

d. engagements in which a governmental audit requirement requires an auditor to express an opinion on compliance in accordance with AU-C section 935, *Compliance Audits.*

[1]Paragraph .07 of section 210, *Review Engagements*.

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[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.03 A practitioner's report issued in accordance with the provisions of this section does not provide a legal determination of an entity's compliance with specified requirements. However, such a report may be useful to legal counsel or others in making such determinations.

.04 In addition to complying with this section, a practitioner is required to comply with section 105, *Concepts Common to All Attestation Engagements*, and either section 205, *Assertion-Based Examination Engagements*, for examinations of compliance, or section 215, *Agreed-Upon Procedures Engagements*, for agreed-upon procedures engagements that address compliance. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 215 when describing those requirements in the context of engagements that address compliance. Although not all the requirements in sections 105, 205, and 215 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and either 205 or 215, as applicable.[2][Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Effective Date[3]

.05 This section is effective for practitioners' examination reports on compliance with specified requirements and for practitioners' agreed-upon procedures reports related to compliance or internal control over compliance with specified requirements dated on or after May 1, 2017.

Objectives of an Examination Engagement

.06 In conducting an examination of an entity's compliance with specified requirements, the objectives of the practitioner are to (Ref: par. .A5)

a. obtain reasonable assurance about whether the entity complied with the specified requirements, in all material respects,

b. express an opinion in a written report about whether

   i. the entity complied with the specified requirements, in all material respects, or

[2]Section 206, *Direct Examination Engagements*, states that section 206 is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of section 205, *Assertion-Based Examination Engagements*, which includes this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[3]Paragraph .10 of this section requires the practitioner to request a written assertion from the responsible party. For that reason, when the term "examination" is used in this section, it refers to an "assertion-based examination" performed under section 205 and this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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ii. management's assertion about its compliance with the specified requirements is fairly stated, in all material respects.

Objectives of an Agreed-Upon Procedures Engagement

.07 In conducting an agreed-upon procedures engagement for which the subject matter is compliance or internal control over compliance with specified requirements, the objectives of the practitioner are to (Ref: par. .A5)

a. apply specific procedures to an entity's compliance with specified requirements or an entity's internal control over compliance with specified requirements and

b. issue a written report that describes the procedures applied and the practitioner's findings without providing an opinion or conclusion on an entity's compliance with specified requirements or an entity's internal control over compliance with specified requirements.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Definitions

.08 For the purposes of this section, the following terms have the meanings attributed as follows:

Compliance with specified requirements. An entity's compliance with specified laws, regulations, rules, contracts, or grants.

Internal control over compliance. An entity's internal control over compliance with specified requirements. The internal control addressed in this section may include part of, but is not the same as, internal control over financial reporting. (Ref: par. .A6)

Material noncompliance. A failure to follow compliance requirements or a violation of prohibitions included in the specified requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance. (Ref: par. .A7)

Requirements

Preconditions for Examination Engagements

.09 In order to accept an attestation engagement to examine compliance with specified requirements, in addition to the preconditions for an examination engagement in sections 105 and 205, the practitioner should determine that[4] (Ref: par. .A8–.A9)

a. management accepts responsibility for the entity's compliance with specified requirements and the entity's internal control over compliance. (Ref: par. .A8–.A9)

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b. management evaluates the entity's compliance with specified requirements. (Ref: par. .A9)

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.10 In performing an examination under this section, the practitioner should request from management a written assertion. If management refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A10–.A11)

Reasonable Assurance

.11 In an engagement to examine compliance with specified requirements, the practitioner should seek to obtain reasonable assurance that the entity complied with the specified requirements, in all material respects, including designing the examination to detect both intentional and unintentional material noncompliance.

Materiality

.12 As required by section 205, the practitioner should consider materiality when establishing the overall engagement strategy.[5] (Ref: par. .A12–.A13)

Examination Procedures

.13 The practitioner should obtain an understanding of the specified requirements. The practitioner's procedures to obtain that understanding should include the following: (Ref: par. .A14)

a. Consideration of laws, regulations, rules, contracts, and grants that pertain to the specified requirements, including published requirements

b. Consideration of knowledge about the specified requirements obtained through prior engagements and regulatory reports

c. Discussion with appropriate individuals within the entity (for example, the chief financial officer, internal auditors, legal counsel, compliance officer, or grant or contract administrators)

.14 In an engagement to examine an entity's compliance with specified requirements when the entity has operations in several components (for example, locations, branches, subsidiaries, or programs), the practitioner should determine the nature, timing, and extent of testing to be performed at individual components. In making such a determination and in

[4]Paragraphs .26–.30 of section 105A, *Concepts Common to All Attestation Engagements*, and paragraph .06 of section 205, *Examination Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[5]Paragraph .17 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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selecting the components to be tested, the practitioner should evaluate factors such as the following:

a. The degree to which the specified requirements apply at the component level

b. Judgments about materiality

c. The degree of centralization of records

d. The effectiveness of the control environment, particularly management's direct control over the exercise of authority delegated to others and its ability to supervise activities at various locations effectively

e. The nature and extent of operations conducted at the various components

f. The similarity of operations over compliance for different components

.15 The practitioner should obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements. In planning the examination, such knowledge should be used to identify types of potential noncompliance, to consider factors that affect the risk of material noncompliance, and to design appropriate tests of compliance. (Ref: par. .A15–.A16)

.16 For engagements involving compliance with regulatory requirements, the practitioner's procedures should include reviewing reports of relevant examinations and related communications between regulatory agencies and the entity and, when appropriate, making inquiries of the regulatory agencies, including inquiries about examinations in progress.

Written Representations in an Examination Engagement

.17 In an examination engagement, in addition to the written representations from management required by section 205,[6] the practitioner should request written representations from management that (Ref: par. .A17)

a. acknowledge management's responsibility for establishing and maintaining effective internal control over compliance.

b. state that management has performed an evaluation of the entity's compliance with specified requirements.

c. state management's interpretation of any compliance requirements that have varying interpretations.

d. state that management has disclosed any known noncompliance occurring during or subsequent to the period covered by the practitioner's report.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

[6]Paragraph .51 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.18 In an examination of compliance, the practitioner should request from management the written representations required by section 205 and paragraph .17 of this section, even if the engaging party is not management.[7] The alternative to obtaining the required written representations provided for in section 205 is not permitted in an engagement to examine compliance.[8] Management's refusal to furnish the written representations required by section 205 and paragraph .17 of this section constitutes a limitation on the scope of the engagement. Such refusal is often sufficient to preclude an unmodified opinion and particularly with respect to the representations in paragraph .53 of section 205, may cause the practitioner to disclaim an opinion or withdraw from the examination engagement, when withdrawal is possible under applicable law or and regulation.[9]However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate. [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Forming the Opinion

.19 In evaluating whether the entity has complied with the specified requirements, in all material respects, (or whether management's assertion about its compliance with the specified requirements is fairly stated, in all material respects), the practitioner should evaluate (*a*) the nature and frequency of the noncompliance identified and (*b*) whether such noncompliance is material relative to the nature of the compliance requirements.

Content of the Practitioner's Examination Report

.20 The practitioner's examination report on compliance should include the following, unless the practitioner is disclaiming an opinion, in which case, items .20*g* and .20*h* should be omitted: (Ref: par. .A18–.A20)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. An identification of the compliance matters that are being reported on or the assertion about such matters, including the point in time or period of time to which the measurement or evaluation of compliance relates.

d. An identification of the specified requirements against which compliance was measured or evaluated. (Ref: par. .A21)

e. A statement that identifies

[7]See footnote 6. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[8]Paragraph .52 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[9]Paragraphs .56 and .A68 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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i. management and its responsibility for compliance with the specified requirements (when reporting on the subject matter) or for its assertion about compliance with the specified requirements (when reporting on the assertion).

f. A statement that the practitioner's responsibility is to express an opinion on the entity's compliance with the specified requirements or on management's assertion about the entity's compliance with the specified requirements, based on the practitioner's examination.

g. A statement that

i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA. (Ref: par. .A22)

ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether

1. the entity complied with the specified requirements, in all material respects, or

2. management's assertion about compliance with the specified requirements is fairly stated, in all material respects.

iii. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.

h. A description of the nature of an examination engagement.

i. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

j. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the entity's compliance with specified requirements or its assertion thereon.

k. A statement that the examination does not provide a legal determination on the entity's compliance with specified requirements.

l. The practitioner's opinion about whether, in all material respects

i. the entity complied with the specified requirements or

ii. management's assertion about the entity's compliance with specified requirements is fairly stated.

m. When the circumstances identified in section 205 are applicable, an alert in a separate paragraph that restricts the use of the report or describes the purpose of the report, as applicable.[10]

[10]Paragraph .64 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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n. The manual or printed signature of the practitioner's firm.

o. The city and state where the practitioner's report is issued.

p. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that

   i. the attestation documentation has been reviewed, and

   ii. management has provided a written assertion.)

[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.21 Frequently, criteria will be contained in the compliance requirements, in which case, it is not necessary to repeat the criteria in the practitioner's report; however, if the criteria are not included in the compliance requirement, the report should identify the criteria. (Ref: par. .A21 and .A23–.A24)

Modified Opinions

.22 If the practitioner determines that there is material noncompliance, the practitioner's report should describe the material noncompliance, and the opinion should be modified in accordance with section 205.[11] (Ref: par. .A25–.A29)

Preconditions for an Agreed-Upon Procedures Engagement

.23 In order to accept an attestation engagement to apply agreed-upon procedures related to compliance with specified requirements or internal control over compliance with specified requirements, in addition to the preconditions for an agreed-upon procedures engagement in sections 105 and 215, the practitioner should determine that management accepts responsibility for the entity's compliance with specified requirements and the entity's internal control over compliance.[12] (Ref: par. .A30) [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.24 The practitioner should obtain an understanding of the specified requirements. The practitioner's procedures to obtain that understanding should include the following:

a. Consideration of laws, regulations, rules, contracts, and grants that pertain to the specified requirements, including published requirements

b. Consideration of knowledge about the specified requirements obtained through prior engagements and regulatory reports

[11]Paragraphs .70–.83 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[12]Paragraphs .26–.30 of section 105A and paragraphs .10–.13 of section 215, *Agreed-Upon Procedures Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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c. Discussion with appropriate individuals within the entity (for example, the chief financial officer, internal auditors, legal counsel, compliance officer, or grant or contract administrators)

Written Representations in an Agreed-Upon Procedures Engagement

.25 In an agreed-upon procedures engagement, in addition to the written representations from management required by section 215, the practitioner should request written representations from management that[13]

a. acknowledge management's responsibility for establishing and maintaining effective internal control over compliance.

b. state management's interpretation of any compliance requirements that have varying interpretations.

c. state that management has disclosed any known noncompliance occurring during or subsequent to the period covered by the practitioner's report.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Content of the Practitioner's Agreed-Upon Procedures Report

.26 The practitioner's agreed-upon procedures report on compliance (or internal control over compliance) should include the following: (Ref: par. .A32–.A35)

a. A title that includes the word *independent* to clearly indicate that it is the report of an independent accountant.

b. An appropriate addressee as required by the circumstances of the engagement.

c. Identification of the engaging party.

d. Indication that the subject matter to which the procedures have been applied is the entity's compliance (or internal control over compliance) during a period or as of a point in time.

e. Identification of the specified requirements against which the entity's compliance (or internal control over compliance) was measured or evaluated.

f. An indication that management of the entity is responsible for the entity's compliance (or internal control over compliance) with the specified requirements.

g. A statement that the engaging party acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement.

[13]Paragraph .27 of section 215. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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h. A statement that the purpose of the engagement is to assist users in determining whether the entity complied with the specified requirements (or internal control over compliance with specified requirements)

i. A statement that the practitioner's report may not be suitable for any other purpose.

j. A statement that the procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

k. A statement that an agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

l. A description of the procedures performed detailing the nature and extent, and if applicable, the timing of each procedure.

m. A description of the findings from each procedure performed, including sufficient details on exceptions found. (The practitioner should not provide a conclusion.)

n. If applicable, a description of any specified threshold established by management for reporting exceptions.

o. A statement that the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the AICPA.

p. A statement that the practitioner was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements (or internal control over compliance with specified requirements).

q. A statement that the practitioner does not express such an opinion or conclusion.

r. A statement that had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported.

s. A statement that the practitioner is required to be independent of the entity and to meet the practitioner's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement.

t. If applicable, a description of the nature of the assistance provided by a practitioner's external specialist.

u. When applicable, reservations or restrictions concerning procedures or findings.

v. The manual or printed signature of the practitioner's firm.

w. The city and state where the practitioner's report is issued.

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x. The date of the report. (The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that the attestation documentation has been reviewed.

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Alert That Restricts the Use of the Practitioner's Agreed-Upon Procedures Report

.27 The practitioner should consider whether to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report, taking into account the understanding with the engaging party regarding the nature of the engagement. [Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.28 If the practitioner determines to include an alert, in a separate paragraph, that restricts the use of the practitioner's report, such alert should

a. state that the practitioner's report is intended solely for the information and use of the specified parties.

b. identify the specified parties for whom use is intended.

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.

[Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

[.29] [Paragraph deleted, August 2025, to correct an error while making conforming changes to reflect the issuance of SSAE No. 19.]

Application and Other Explanatory Material

Introduction (Ref: par. .01 and .02*b*)

.A1 Compliance requirements may be either financial or nonfinancial in nature.

.A2 The criteria for evaluating or measuring compliance with specified requirements ordinarily are included in the specified requirements but may be otherwise identified.

.A3 A practitioner may be engaged to provide other types of services in connection with an entity's compliance with specified requirements or its internal control over compliance with specified requirements. For example, the practitioner may be engaged to provide recommendations on how to improve the entity's compliance or related internal control. Such an engagement is governed by the guidance in CS section 100, *Consulting Services: Definitions and Standards*.

.A4 An engagement to examine internal control over compliance is governed by sections 105 and 205. Additionally, AU-C section 940, *An Audit of an Entity's Internal Control Over*

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Financial Reporting That Is Integrated With an Audit of Its Financial Statements, may be helpful to a practitioner in such an engagement.

Objectives of an Examination Engagement (Ref: par. .06–.07)

.A5 For the purposes of this section, the responsible party is management of the entity for which the practitioner is reporting on compliance.

Definitions

Internal Control Over Compliance

.A6 An entity's internal control over compliance is the process by which management obtains reasonable assurance of compliance with specified requirements. Although management's internal control may include a wide variety of objectives and related policies and procedures, only some of these may be relevant to an entity's compliance with specified requirements. An entity's internal control over compliance may vary based on the nature of the compliance requirements. For example, internal control over compliance with a capital requirement would generally include accounting procedures, whereas internal control over compliance with a requirement to practice nondiscriminatory hiring may not include accounting procedures.

Material Noncompliance

.A7 Government requirements or other requirements may define material noncompliance for the purpose of the engagement.

Preconditions for Examination Engagements (Ref: par. .09–.10)

.A8 Management is responsible for ensuring that the entity complies with the requirements applicable to its activities. That responsibility encompasses the following:

a. Identifying and complying with the specified requirements

b. Designing, implementing, and maintaining internal control to provide reasonable assurance that the entity complies with those requirements

c. Specifying reports that satisfy legal, regulatory, or contractual requirements

[Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A9 In carrying out its responsibilities, management will ordinarily have documentation regarding its compliance such as accounting or statistical data, entity policy manuals, accounting manuals, narrative memoranda, procedural write-ups, flowcharts, completed questionnaires, or internal auditors' reports. The form and extent of documentation will vary depending on the nature of the compliance requirements and the size and complexity of the entity. [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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.A10 Management's written assertion about compliance with specified requirements may take many forms. Throughout this section, for example, the phrase "management's assertion that W Company complied with [*specify compliance requirement*] as of [*date*]," illustrates such an assertion. Other phrases may also be used. A statement that is so subjective (for example, *substantially complied*) that people having competence in and using the same or similar criteria would not ordinarily be able to arrive at similar conclusions is not an appropriate written assertion.

.A11 Paragraph .10 applies regardless of whether management is the engaging party. [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Materiality (Ref: par. .12)

.A12 The terms of an engagement may provide for a supplemental practitioner's report of all or certain noncompliance discovered. Such terms would not affect the practitioner's judgments about materiality in establishing the overall engagement strategy or in forming an opinion on an entity's compliance with specified requirements or on management's assertion about such compliance.

.A13 In an examination of an entity's compliance with specified requirements, the practitioner's consideration of materiality is affected by (*a*) the nature of the compliance requirements, which may or may not be quantifiable in monetary terms, (*b*) the nature and frequency of noncompliance identified with appropriate consideration of sampling risk, and (*c*) qualitative considerations, including the needs and expectations of the users of the practitioner's report.

Examination Procedures (Ref: par. .13 and .15)

.A14 In certain circumstances, the practitioner may determine that it is necessary to discuss the specified requirements with appropriate individuals outside the entity (for example, a regulator or specialist).

.A15 A practitioner generally obtains an understanding of the design of specific controls by performing the following:

a. Inquiries of appropriate management, supervisory, and staff personnel

b. Inspection of the entity's documents

c. Observation of the entity's activities and operations

.A16 The nature and extent of procedures a practitioner performs vary from entity to entity and are influenced by factors such as the following:

- The newness and complexity of the specified requirements
- The practitioner's knowledge of internal control over compliance obtained in previous professional engagements

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- The nature of the specified requirements
- An understanding of the industry in which the entity operates
- Judgments about materiality

Written Representations in an Examination Engagement (Ref: par. .17)

.A17 At the beginning of the engagement, the practitioner may want to consider discussing with management the need for management to provide the practitioner with a written representation letter at the conclusion of the engagement.

Content of the Practitioner's Examination Report (Ref: par. .20–.21)

.A18 The list of elements in paragraph .20 constitutes all the required elements for a practitioner's report on an examination of compliance with specified requirements, including the elements required by section 205.[14] Application guidance regarding the elements of an examination report is included in section 205.[15]

.A19 Examples 1 and 2 in the exhibit to this section provide illustrations of practitioner's examination reports on compliance.

.A20 Paragraph .20*d* represents the criteria for measuring or evaluating compliance with the specified requirements.

.A21 Ordinarily, the criteria are included in the specified requirements. In that case, the identification may say, "We have examined management of XYZ Company's compliance with [*identify the specified requirements*...]."

.A22 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example: AT-C section 315, *Compliance Attestation*, of the attestation standards established by the AICPA. [Paragraph added, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A23 If a compliance requirement is to "maintain $25,000 in capital," it would not be necessary to identify the $25,000 in the practitioner's report; however, if the requirement is subjectively worded, for example, to "maintain adequate capital," the criteria used to define *adequate* would be included in the report. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A24 When evaluating compliance with certain requirements requires interpretation of the laws, regulations, rules, contracts, or grants that establish those requirements, the practitioner evaluates whether the criteria are suitable for evaluating compliance. If these

[14]Paragraph .63 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[15]Paragraphs .A85–.A111 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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interpretations are significant, the practitioner may include a paragraph describing the interpretations and identifying the source of the interpretations made by the entity's management. The following is an example of such a paragraph:

> We have been informed that, under [*name of entity*]'s interpretation of [*identify the compliance requirement*], [*explain the source and nature of the relevant interpretation*].

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Modified Opinions (Ref: par. .22)

Qualified Opinion

.A25 The following is an example of

a. a paragraph that would be added to the practitioner's report to describe the matter giving rise to the qualified opinion, and

b. an opinion paragraph of a report containing the qualified opinion:

> Our examination disclosed the following material noncompliance with [*type of compliance requirement*] applicable to [*name of entity*] during the [*period*] ended [*date*]. [*Describe noncompliance.*]
>
> In our opinion, except for the material noncompliance described in the preceding paragraph, [*name of entity*] complied, in all material respects, with the aforementioned requirements for the [*period*] ended [*date*].

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Adverse Opinion

.A26 The following is an example of

a. a paragraph that would be added to the practitioner's report to describe the matter(s) giving rise to the adverse opinion, and

b. an opinion paragraph of a report containing an adverse opinion:

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> Our examination disclosed the following material noncompliance with [*type of compliance requirement*] applicable to [*name of entity*] during the [*period*] ended [*date*]. [*Describe noncompliance*.]
>
> In our opinion, because of the effect of the noncompliance described in the preceding paragraph, [*name of entity*] has not complied with the aforementioned requirements for the [*period*] ended [*date*].

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A27 If the practitioner's report containing a qualified or adverse opinion on the entity's compliance with specified requirements is included in a document that also includes the practitioner's audit report on the entity's financial statements, the compliance report may indicate that the noncompliance was considered during the audit. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A28 The following is an example of an additional sentence that may be included in the opinion paragraph of a practitioner's examination report that describes material noncompliance:

> We considered the effect of these conditions on our audit of the 20XX financial statements. This report on XYZ Company's compliance with [*identify the specified requirements*] does not affect our audit report dated [*date of report*] on those financial statements.

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A29 The practitioner also may include the preceding sentence when the two practitioner's reports are not included in the same document. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Preconditions for an Agreed-Upon Procedures Engagement (Ref: par. .23)

.A30 Management is responsible for ensuring that the entity complies with the requirements applicable to its activities. That responsibility encompasses the following:

a. Identifying and complying with the specified requirements

b. Designing, implementing, and maintaining internal control to provide reasonable assurance that the entity complies with those requirements

c. Specifying reports that satisfy legal, regulatory, or contractual requirements

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[Paragraph renumbered and revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

[.A31] [Paragraph renumbered and deleted, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Content of the Practitioner's Agreed-Upon Procedures Report (Ref: par. .26)

.A32 The list of elements in paragraph .26 of this section constitutes all the required elements for a practitioner's report on the application of agreed-upon procedures related to an entity's compliance with specified requirements, including the elements required by section 215.[16] Application guidance regarding the elements of an agreed-upon procedures report is included in section 215.[17] [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A33 In some agreed-upon procedures engagements, procedures may relate to both compliance with specified requirements and the entity's internal control over compliance. In these engagements, the practitioner may issue one practitioner's report that addresses both. For example, the first sentence of the introductory paragraph may state the following:

> We have performed the procedures enumerated below, related to [*name of entity*]'s compliance with [*identify the specified requirements*] during the [*period*] ended [*date*] and [*name of entity*]'s internal control over compliance with the aforementioned compliance requirements as of [*date*].

[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A34 When performing agreed-upon procedures related to an entity's compliance with specified requirements, or an entity's internal control over compliance with certain requirements requires interpretation of the laws, regulations, rules, contracts, or grants that establish those requirements, the practitioner evaluates whether the criteria are suitable for performing such agreed-upon procedures and reporting findings. If these interpretations are significant, the practitioner may include a paragraph describing the interpretations made by management and the source of the interpretations. An example of such a paragraph, which would precede the procedures and findings paragraph(s), follows:

> We have been informed that, under [*name of entity*]'s interpretation of [*identify the compliance requirement*], [*explain the nature and source of the relevant interpretation.*]

[16]Paragraph .34 of section 215. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[17]Paragraphs .A49–.A64 of section 215. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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[Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

.A35 Example 3 in the exhibit to this section provides an illustration of a practitioner's agreed-upon procedures report related to compliance with specified requirements. Example 4 in the exhibit to this section provides an illustration of an agreed-upon procedures report related to internal control over compliance with specified requirements. [Paragraph renumbered, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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Exhibit — Illustrative Practitioner's Examination and Agreed-Upon Procedures Reports Related to Compliance, and Agreed-Upon Procedures Report Related to Internal Control Over Compliance

.A36 The illustrative practitioner's examination reports in this exhibit (examples 1 and 2) meet the reporting requirements of section 205, *Assertion-Based Examination Engagements*,[1] and of paragraphs .20–.22 of this section. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements of section 205[2] and paragraphs .20–.22 of this section.

The illustrative practitioner's agreed-upon procedures reports in this exhibit (examples 3 and 4) meet the applicable reporting requirements of section 215, *Agreed-Upon Procedures Engagements*,[3] and paragraph .26 of this section. A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements of section 215[4] and paragraph .26 of this section.

[1]Paragraphs .62–.83 of section 205.

[2]See footnote 1.

[3]Paragraphs .31–.38 of section 215.

[4]See footnote 3.

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Example 1: Practitioner's Examination Report on Compliance; Unmodified Opinion

The following is an illustrative practitioner's examination report for an engagement in which the practitioner is reporting on subject matter (an entity's compliance with specified requirements during a period of time).

Independent Accountant's Report

[*Appropriate addressee*]

We have examined XYZ Company's compliance with [*identify the specified requirements*, *for example, the requirements listed in Attachment 1*] during the period January 1, 20X1, to December 31, 20X1. Management of XYZ Company is responsible for XYZ Company's compliance with the specified requirements. Our responsibility is to express an opinion on XYZ Company's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether XYZ Company complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether XYZ Company complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on XYZ Company's compliance with specified requirements.

In our opinion, XYZ Company complied, in all material respects, with [*identify the specified requirements*, *for example, the requirements listed in Attachment 1*] during the period January 1, 20X1 to December 31, 20X1.

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

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Example 2: Practitioner's Examination Report on an Assertion About Compliance; Unmodified Opinion

The following is an illustrative practitioner's examination report for an engagement in which the practitioner is reporting on the management's assertion about compliance with specified requirements and management's assertion accompanies the report.

Independent Accountant's Report

[*Appropriate Addressee*]

We have examined management of XYZ Company's assertion that XYZ Company complied with [*identify the specified requirements, for example, the requirements listed in Attachment 1*] during the period January 1, 20X1 to December 31, 20X1.[5] XYZ Company's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about XYZ Company's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on XYZ Company's compliance with the specified requirements.

In our opinion, management's assertion that XYZ Company complied with [*identify the specified requirements, for example, the requirements listed in Attachment 1*], is fairly stated, in all material respects.

[*Practitioner's signature*]

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

[*Date of practitioner's report*]

[5]If management's assertion accompanies the practitioner's report, the practitioner would refer to management's assertion by using the same title as management used for its assertion. The report also would use the same description of the specified requirements that management used in its assertion. If management's assertion is stated in the report, rather than accompanying the report, the word *accompanying* would be omitted.

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Example 3: Practitioner's Agreed-Upon Procedures Report Related to Compliance

The following is an illustrative practitioner's agreed-upon procedures report related to an entity's compliance with specified requirements in which the procedures and findings are described in the report, rather than referenced.

Independent Accountant's Report on Applying Agreed-Upon Procedures

[*Appropriate Addressee*]

We have performed the procedures enumerated below related to XYZ Company's compliance with [*identify the specified requirements, for example, the requirements listed in Attachment 1*] during the period January 1, 20X1 to December 31, 20X1].[6] XYZ Company's management is responsible for its compliance with those requirements.

XYZ Company's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[*Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found.*]

We were engaged by XYZ Company's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

[*Additional paragraphs may be added to describe other matters*]

[6]If the agreed-upon procedures have been published by a third-party (for example, a regulator in regulatory policies or a lender in a debt agreement), this sentence might begin as follows: "We have performed the procedures included in [title of publication or other document] and enumerated below..." [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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[*Signature of the practitioner's firm*]

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

[*Date of the practitioner's report*]

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Example 4: Practitioner's Agreed-Upon Procedures Report Related to Internal Control Over Compliance

The following is an illustrative practitioner's agreed-upon procedures report related to an entity's internal control over compliance in which the procedures and findings are described in the report rather than referenced.

Independent Accountant's Report on Applying Agreed-Upon Procedures

[*Appropriate Addressee*]

We have performed the procedures enumerated below related to XYZ Company's internal control over compliance with [*identify the specified requirements for example, the requirements listed in Attachment 1*], as of December 31, 20X1.[7] XYZ Company's management is responsible for its internal control over compliance with those requirements.

XYZ Company's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[*Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found.*]

We were engaged by XYZ Company's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on internal control over compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

[*Signature of the practitioner's firm*]

[7] If the agreed-upon procedures have been published by a third-party (for example, a regulator in regulatory policies or a lender in a debt agreement), this sentence might begin as follows: "We have performed the procedures included in [title of publication or other documents] and enumerated below..." [Revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

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

[*Date of the practitioner's report*]

[Paragraph renumbered and revised, July 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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AT-C Section 9315

Compliance Attestation: Attestation Interpretations of Section 315

1. Examination and Review Engagements on Subject Matter Measured or Evaluated in Accordance With Criteria Specified in Laws, Regulations, Rules, Contracts, or Grants

.01 *Question* — Section 315, *Compliance Attestation*, contains performance and reporting requirements, and application and other explanatory material, for a practitioner examining an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants (specified requirements) or an assertion about compliance with specified requirements.[1] Is a practitioner required to perform an engagement in accordance with section 315 when the practitioner is not engaged to report, and does not report, on the entity's *compliance* with specified requirements and either

a. the measurement or evaluation criteria are specified in a law, regulation, rule, contract, or grant, or

b. the assertion relates to the responsible party's measurement or evaluation in accordance with such criteria?

.02 *Interpretation* — No. With respect to an examination engagement, section 315 applies when a practitioner is engaged to examine an entity's *compliance* with specified requirements, is engaged to examine an assertion about *compliance* with specified requirements, or the law, regulation, rule, contract, or grant requires that the engagement be performed in accordance with section 315. Reviews of compliance with specified requirements or an assertion thereon are specifically prohibited.[2] A compliance examination in accordance with section 315 is designed to obtain reasonable assurance that the entity complied with the specified requirements, in all material respects, including designing the examination to detect both intentional and unintentional material noncompliance.[3]

.03 A practitioner is not required to apply section 315, even if the criteria are specified in law, regulation, rule, contract, or grant, when a practitioner is only engaged to examine or review whether

[1]Paragraph .01*a* of section 315, *Compliance Attestation*.

[2]Paragraph .07c of section 210, *Review Engagements*, and paragraph .02*a* of section 315.

[3]Paragraph .11 of section 315.

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1. underlying subject matter is measured or evaluated *in accordance with (or based on)* criteria or

2. an assertion related to such measurement or evaluation is fairly stated.

.04 In such instances, a practitioner may examine whether the underlying subject matter is presented in accordance with the criteria in accordance with section 205, *Assertion-Based Examination Engagements*,[4] or may perform a review in accordance with section 210, *Review Engagements*. The objective of an examination performed in accordance with section 205 is to obtain reasonable assurance that the subject matter as measured or evaluated against the criteria is free from material misstatement. The objective of a review in accordance with section 210 is to obtain limited assurance about whether the practitioner is aware of any material modifications that should be made to the subject matter for it to be in accordance with (or based on) the criteria).

.05 The following table illustrates the difference between

1. unmodified opinions or conclusions about whether the underlying subject matter is measured or evaluated *in accordance with (or based on)* criteria that are specified in a law, regulation, rule, contract, or grant or an assertion related to such measurement or evaluation and

2. unmodified opinions related to *compliance*.

[4]A practitioner is not precluded from performing a direct examination engagement in accordance with section 206, *Direct Examination Engagements*, in which the responsible party does not provide an assertion.

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Example Opinions and Conclusions From Sections 205, 206, 210, and 315	Example Opinions and Conclusions Using Example Scenarios
Examples of unmodified opinions or conclusions about whether underlying subject matter is measured or evaluated *in accordance with (or based on)* criteria that are specified in a law, regulation, rule, contract, or grant or an assertion related to such measurement or evaluation are as follows:	
	The following scenario is used in this column of examples: ABC Company entered into a credit agreement (the Agreement) with XYZ Lender, which incorporates predefined performance targets (PTs). In accordance with the Agreement, ABC Company can reduce its annual contractual interest rate by three basis points if, at the end of the calendar year, its actual performance is in compliance with the PTs as described within the "Annual Targets and Thresholds Table." To receive a reduction in the annual contractual interest rate, ABC Company is required to sign and submit a certificate that includes management's assertion and criteria pertaining to compliance with the PTs, which will be accompanied by an attestation report from an independent registered public accounting firm.
Section 205 Assertion-Based or Section 206 Direct Examination Report on Subject Matter[5] In our opinion, [*identify the subject matter including the point in time or period of time to which the measurement or evaluation of the subject matter relates*] is presented in accordance with [*identify the criteria, for example, the criteria set forth in appendix A*], in all material respects.	**Section 205 Assertion-Based or Section 206 Direct Examination Report on Subject Matter** In our opinion, ABC Company's "Schedule of Annual Targets and Thresholds" as of December 31, 20XX, is presented in accordance with the criteria set forth in appendix A, in all material respects.
Section 205 Assertion-Based Examination Report on an Assertion In our opinion, management's assertion that [*identify the assertion, including (*a*) the subject matter, including the point in time or period of time to which the measurement or evaluation of the subject matter relates and (*b*) the criteria, for example, the criteria as set forth in appendix A*] is fairly stated, in all material respects.	**Section 205 Assertion-Based Examination Report on an Assertion** In our opinion, ABC Company management's assertion that the accompanying "Schedule of Annual Targets and Thresholds" as of December 31, 20XX, is presented in accordance with the criteria set forth in appendix A is fairly stated, in all material respects.
Section 210 Review Report on Subject Matter Based on our review, we are not aware of any material modifications that should be made to [*identify the subject matter including the point in time or period of time to which the measurement or evaluation of the subject matter relates*] in order for it to be presented in accordance with [*identify the criteria, for example, the criteria set forth in appendix A*].	**Section 210 Review Report on Subject Matter** Based on our review, we are not aware of any material modifications that should be made to ABC Company's "Schedule of Annual Targets and Thresholds" as of December 31, 20XX, in order for it to be presented in accordance with the criteria set forth in appendix A.
Section 210 Review Report on an Assertion Based on our review, we are not aware of any material modifications that should be made to [*identify the assertion, including (*a*) the subject matter, including the point in time or period of time to which the measurement or evaluation of the subject matter relates and*	**Section 210 Review Report on an Assertion** Based on our review, we are not aware of any material modifications that should be made to ABC Company management's assertion that the accompanying "Schedule of Annual Targets and Thresholds" as of December 31, 20XX, is presented in accordance with

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Example Opinions and Conclusions From Sections 205, 206, 210, and 315	Example Opinions and Conclusions Using Example Scenarios
(b) the criteria, for example, the criteria set forth in appendix A] in order for it to be fairly stated.	the criteria set forth in appendix A in order for it to be fairly stated.
To illustrate the difference, examples of unmodified opinions related to an entity's *compliance* with criteria that are specified in a law, regulation, rule, contract, or grant are as follows:	
Section 315 Examination Report on Compliance In our opinion, XYZ Company complied, in all material respects, with [*identify the specified requirements, for example, the requirements listed in attachment 1*] during the period January 1, 20X1, to December 31, 20X1.	**Section 315 Examination Report on Compliance** In our opinion, ABC Company complied, in all material respects, with the performance targets as described within the "Annual Targets and Threshold Table" listed in the accompanying Management Certificate as of December 31, 20XX.
Section 315 Examination Report on an Assertion About Compliance In our opinion, management's assertion that XYZ Company complied with [*identify the specified requirements, for example, the requirements listed in attachment 1*] during the period January 1, 20X1, to December 31, 20X1, is fairly stated, in all material respects.	**Section 315 Examination Report on an Assertion About Compliance** In our opinion, management's assertion that XYZ Company complied with the performance targets as described within the "Annual Targets and Threshold Table" listed in the accompanying Management Certificate as of December 31, 20XX, is fairly stated, in all material respects.

[5]Although the specific opinion wording in a report under sections 205 and 206 is the same, there are differences in other aspects of the report that are outside the scope of this interpretation and are not included in this example.

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AT-C Section 320

Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting

Source: SSAE No. 18.

Effective for service auditors' reports dated on or after May 1, 2017.

Introduction

.01 This section contains performance and reporting requirements and application guidance for a service auditor examining controls at organizations that provide services to user entities when those controls are likely to be relevant to user entities' internal control over financial reporting. It complements AU-C section 402, *Audit Considerations Relating to an Entity Using a Service Organization*, in that a service auditor's report prepared in accordance with this section may provide appropriate evidence under AU-C section 402. (Ref: par. .A1)

.02 In addition to complying with this section, a practitioner is required to comply with section 105, *Concepts Common to All Attestation Engagements*, and section 205, *Assertion-Based Examination Engagements*. In some cases, this section repeats or refers to requirements in sections 105 and 205 when describing those requirements in the context of examinations that address controls at a service organization likely to be relevant to user entities' internal control over financial reporting. Although not all the requirements in sections 105 and 205 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and 205.[1,2] (Ref: par. .A2) [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.03 Section 205 indicates that when performing an attestation engagement, a practitioner should report on a written assertion or should report directly on the subject matter.[3]

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[1]Section 206, *Direct Examination Engagements*, states that section 206 is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of section 205, *Assertion-Based Examination Engagements*, which includes this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[2]Paragraph .13 of this section requires the service auditor to request a written assertion from management of the service organization. For that reason, when the term "examination" is used in this section, it refers to an "assertion-based examination" performed under section 205 and this section. [Footnote added, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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For engagements conducted under this section, the service auditor reports directly on the subject matter.

.04 The focus of this section is on controls at service organizations likely to be relevant to user entities' internal control over financial reporting. The guidance herein also may be helpful to a practitioner performing an engagement under section 205 to report on controls at a service organization

a. other than those that are likely to be relevant to user entities' internal control over financial reporting (for example, controls that affect user entities' compliance with specified requirements of laws, regulations, rules, contracts, or grants or controls that affect user entities' production or quality control). Section 315, *Compliance Attestation*, is applicable if a practitioner is performing agreed-upon procedures related to an entity's internal control over compliance with specified requirements. Section 205 is applicable if a practitioner is examining an entity's controls over compliance with specified requirements. (Ref: par. .A3–.A4)

b. when management of the service organization does not provide an assertion about the suitability of the design of controls because it is not responsible for the design of the controls (for example, when the controls have been designed by the user entity or the design is stipulated in a contract between the user entity and the service organization). (Ref: par. .A5)

.05 In addition to performing an examination of a service organization's controls, a service auditor may be engaged to (*a*) examine and report on a user entity's transactions or balances maintained by a service organization, or (*b*) perform and report under section 215, *Agreed-Upon Procedures Engagements*, the results of agreed-upon procedures related to the controls of a service organization or to transactions or balances of a user entity maintained by a service organization. However, these engagements are not addressed in this section.

Effective Date

.06 This section is effective for service auditors' reports dated on or after May 1, 2017.

Objectives

.07 The objectives of the service auditor are to

a. obtain reasonable assurance about whether, in all material respects, based on the criteria

   i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period (or in the case of a type 1 report, as of a specified date)

[3]Paragraph .67 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the specified period (or in the case of a type 1 report, as of a specified date).

iii. when included in the scope of the engagement, the controls operated effectively to provide reasonable assurance that the control objectives stated in management's description of the service organization's system were achieved throughout the specified period.

b. express an opinion in a written report about the matters in paragraph .07*a*.

Definitions

.08 For the purposes of this section, the following definitions apply:

Carve-out method. Method of addressing the services provided by a subservice organization, whereby management's description of the service organization's system identifies the nature of the services performed by the subservice organization and excludes from the description and from the scope of the service auditor's engagement the subservice organization's relevant control objectives and related controls.

Complementary subservice organization controls. Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by the subservice organizations and are necessary to achieve the control objectives stated in management's description of the service organization's system.

Complementary user entity controls. Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by user entities and are necessary to achieve the control objectives stated in management's description of the service organization's system. (Ref: par. .A6)

Control objectives. The aim or purpose of specified controls at the service organization. Control objectives address the risks that controls are intended to mitigate.

Controls at a service organization. The policies and procedures at a service organization likely to be relevant to user entities' internal control over financial reporting. These policies and procedures are designed, implemented, and documented by the service organization to provide reasonable assurance about the achievement of the control objectives relevant to the services covered by the service auditor's report. (Ref: par. .A7)

Inclusive method. Method of addressing the services provided by a subservice organization whereby management's description of the service organization's system includes a description of the nature of the services provided by the subservice organization as well as the subservice organization's relevant control objectives and related controls.

Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of

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controls (referred to in this section as a *type 1 report*). A service auditor's report that comprises the following:

a. Management's description of the service organization's system

b. A written assertion by management of the service organization about whether, based on the criteria

   i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented as of a specified date

   ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to achieve those control objectives as of the specified date

c. A report that expresses an opinion on the matters in *b*(i)–(ii)

Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls (referred to in this section as a *type 2 report*). A service auditor's report that comprises the following:

a. Management's description of the service organization's system

b. A written assertion by management of the service organization about whether, based on the criteria

   i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period

   ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives

   iii. the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives

c. A report that

   i. expresses an opinion on the matters in *b*(i)–(iii)

   ii. includes a description of the tests of controls and the results thereof

Service auditor. A practitioner who reports on controls at a service organization.

Service organization. An organization or segment of an organization that provides services to user entities, which are likely to be relevant to those user entities' internal control over financial reporting.

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Service organization's assertion. A written assertion about the matters referred to in part (b) of the definition of **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls**, for a type 2 report, and, for a type 1 report, the matters referred to in part (b) of the definition of **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls**.

Service organization's system. The policies and procedures designed, implemented, and documented by management of the service organization to provide user entities with the services covered by the service auditor's report. Management's description of the service organization's system identifies the services covered, the period to which the description relates (or in the case of a type 1 report, the date to which the description relates), the control objectives specified by management or an outside party, the party specifying the control objectives (if not specified by management), and the related controls. (Ref: par. .A8)

Subservice organization. A service organization used by another service organization to perform some of the services provided to user entities that are likely to be relevant to those user entities' internal control over financial reporting. (Ref: par. .A9)

Test of controls. A procedure designed to evaluate the operating effectiveness of controls in achieving the control objectives stated in management's description of the service organization's system.

Type 1 report. See **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls**.

Type 2 report. See **management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls**.

User auditor. An auditor who audits and reports on the financial statements of a user entity.

User entity. An entity that uses a service organization for which controls at the service organization are likely to be relevant to that entity's internal control over financial reporting.

Requirements

Management and Those Charged With Governance

.09 When this section requires the service auditor to inquire of, request representations from, communicate with, or otherwise interact with management of the service organization, the service auditor should determine the appropriate person(s) within the service organization's management or governance structure with whom to interact. This should include consideration of which person(s) has the appropriate responsibilities for and knowledge of the matters concerned. (Ref: par. .A10–.A11)

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Preconditions

.10 A service auditor should accept or continue an engagement to report on controls at a service organization pursuant to this section only if the preconditions for an attestation engagement identified in section 105 and the following conditions are met:[4] (Ref: par. .A12–.A13)

a. The service auditor's preliminary knowledge of the engagement circumstances indicates that the scope of the engagement and management's description of the service organization's system will not be so limited that they are unlikely to be useful to user entities and their auditors.

b. Management acknowledges and accepts its responsibility for the following:

   i. Preparing its description of the service organization's system and its assertion, including the completeness, accuracy, and method of presentation of the description and assertion (Ref: par. .A14)

   ii. Having a reasonable basis for its assertion (Ref: par. .A15)

   iii. Selecting the criteria to be used and stating them in the assertion

   iv. Specifying the control objectives, stating them in the description of the service organization's system, and, if the control objectives are specified by law, regulation, or another party (for example, a user group or a professional body), identifying in the description the party specifying the control objectives (Ref: par. .A16)

   v. Identifying the risks that threaten the achievement of the control objectives stated in the description and designing, implementing, and documenting controls that are suitably designed and operating effectively to provide reasonable assurance that the control objectives stated in the description of the service organization's system will be achieved (Ref: par. .A17)

   vi. Providing a written assertion that accompanies management's description of the service organization's system, both of which will be provided to user entities (Ref: par. .A18)

.11 When the inclusive method is used, the service auditor should apply the requirements in sections 105, 205, and this section to the services provided by the subservice organization, as applicable, including the requirement to obtain management of the service organization's acknowledgement and acceptance of responsibility for the matters in paragraph .10*b* of this section as they relate to the subservice organization. (Ref: par. .A19–.A20)

Request to Change the Scope of the Engagement

.12 As required by section 105, if management requests a change in the scope of the engagement before the completion of the engagement, the service auditor should not agree

[4]Paragraphs .26–.30 of section 105A, *Concepts Common to All Attestation Engagements*. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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to a change in the terms of the engagement when no reasonable justification for doing so exists.[5] (Ref: par. .A21–.A22 and .A57)

Requesting a Written Assertion

.13 The practitioner should request from management of the service organization a written assertion. If management refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A23)

Assessing the Suitability of the Criteria

.14 As required by section 105, the service auditor should assess whether management has used suitable criteria in[6] (Ref: par. .A25–.A26)

a. preparing its description of the service organization's system,

b. evaluating whether controls were suitably designed to achieve the control objectives stated in the description, and

c. evaluating whether controls operated effectively throughout the specified period to achieve the control objectives stated in the description of the service organization's system, in the case of a type 2 report.

.15 In assessing the suitability of the criteria to evaluate whether management's description of the service organization's system is fairly presented, the service auditor should determine if the criteria include, at a minimum

a. whether management's description of the service organization's system presents how the service organization's system was designed and implemented, including the following information about the service organization's system, if applicable:

    i. The types of services provided, including, as appropriate, the classes of transactions processed.

    ii. The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities.

    iii. The information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions. This includes the correction of

[5]Paragraph .31 of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[6]Paragraph .27*b*(ii) of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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incorrect information and how information is transferred to the reports and other information prepared for user entities.

iv. How the service organization's system captures and addresses significant events and conditions other than transactions.

v. The process used to prepare reports and other information for user entities.

vi. Services performed by a subservice organization, if any, including whether the carve- out method or the inclusive method has been used in relation to them. (Ref: par. .A37)

vii. The specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.

viii. Other aspects of the service organization's control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided. (Ref: par. .A15 and .A27)

b. in the case of a type 2 report, whether management's description of the service organization's system includes relevant details of changes to the service organization's system during the period covered by the description. (Ref: par. .A50)

c. whether management's description of the service organization's system does not omit or distort information relevant to the service organization's system, while acknowledging that management's description of the service organization's system is prepared to meet the common needs of a broad range of user entities and their user auditors, and may not, therefore, include every aspect of the service organization's system that each individual user entity and its user auditor may consider important in its own particular environment.

.16 In assessing the suitability of the criteria to evaluate whether the controls are suitably designed, the service auditor should determine if the criteria include, at a minimum, whether

a. the risks that threaten the achievement of the control objectives stated in management's description of the service organization's system have been identified by management.

b. the controls identified in management's description of the service organization's system would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

.17 In assessing the suitability of the criteria to evaluate whether controls operated effectively to provide reasonable assurance that the control objectives stated in management's description of the service organization's system were achieved, the service auditor should determine if the criteria include, at a minimum, whether the controls were

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consistently applied as designed throughout the specified period, including whether manual controls were applied by individuals who have the appropriate competence and authority.

.18 Section 205 requires a practitioner to request from the responsible party a written assertion about the measurement or evaluation of the underlying subject matter against the criteria.[7] The practitioner should determine that management's assertion addresses all the criteria management used to evaluate the fairness of the presentation of the description, the suitability of the design of the controls, and in a type 2 engagement, the operating effectiveness of the controls. (Ref: par. .A24) [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Materiality

.19 The service auditor's consideration of materiality should include the fair presentation of management's description of the service organization's system, the suitability of the design of controls to achieve the related control objectives stated in the description and, in the case of a type 2 report, the operating effectiveness of the controls to achieve the related control objectives stated in the description. (Ref: par. .A28–.A30)

Obtaining an Understanding of the Service Organization's System and Assessing the Risk of Material Misstatement

.20 The service auditor should obtain an understanding of the service organization's system, including controls that are included in the scope of the engagement. That understanding should include service organization processes used to (Ref: par. .A31–.A33)

a. prepare the description of the service organization's system, including the determination of control objectives,

b. identify controls designed to achieve the control objectives,

c. assess the suitability of the design of the controls, and

d. in a type 2 report, assess the operating effectiveness of controls.

.21 If the service organization has an internal audit function, part of the service auditor's understanding of the service organization's system should include the following:

a. The nature of the internal audit function's responsibilities and how the internal audit function fits in the service organization's organizational structure

b. The activities performed, or to be performed, by the internal audit function as it relates to the service organization

[7]Paragraph .10 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.22 As required by section 205, the service auditor should identify and assess the risks of material misstatement.[8] (Ref: par. .A34–.A35) [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.23 The service auditor should read the reports of the internal audit function and regulatory examinations that relate to the services provided to user entities and the scope of the engagement, if any, to obtain an understanding of the nature and extent of the procedures performed and the related findings. The findings should be taken into consideration as part of the risk assessment and in determining the nature, timing, and extent of the tests.

Responding to Assessed Risks and Further Procedures

.24 As required by paragraphs .25–.39 of this section and section 205, the service auditor should[9]

a. design and implement overall responses to address the assessed risks of material misstatement for the subject matter and

b. design and perform further procedures whose nature, timing, and extent are based on, and responsive to, the assessed risks of material misstatement.

Obtaining Evidence Regarding Management's Description of the Service Organization's System

.25 The service auditor should obtain and read management's description of the service organization's system and should evaluate whether those aspects of the description that are included in the scope of the engagement are presented fairly, in all material respects, based on the criteria in management's assertion, including whether (Ref: par. .A28–.A29 and .A36–.A40)

a. the control objectives stated in management's description of the service organization's system are reasonable in the circumstances;

b. controls identified in management's description of the service organization's system were implemented;

c. complementary user entity controls and complementary subservice organization controls, if any, are adequately described; and

d. services performed by a subservice organization, if any, are adequately described, including whether the carve-out method or the inclusive method has been used in relation to them.

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[8]Paragraph .19 of section 205A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[9]Paragraphs .21–.22 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.26 The service auditor should determine through inquiries made in combination with other procedures whether the service organization's system has been implemented. (Ref: par. .A40)

Obtaining Evidence Regarding the Design of Controls

.27 The service auditor should assess whether the controls that management identified in its description of the service organization's system as the controls that achieve the control objectives were suitably designed to achieve those control objectives by (Ref: par. .A28–.A29, .A36, and .A41–.A45)

a. obtaining an understanding of management's process for identifying and evaluating the risks that threaten the achievement of the control objectives and assessing the completeness and accuracy of management's identification of those risks,

b. evaluating the linkage of the controls identified in management's description of the service organization's system with those risks, including risks arising from each of the described classes of transactions and risks that IT poses to the user entity's internal control over financial reporting, and

c. determining that the controls have been implemented.

Obtaining Evidence Regarding the Operating Effectiveness of Controls

.28 When performing a type 2 engagement, the service auditor should test those controls that management has identified in its description of the service organization's system as the controls that achieve the control objectives and should assess the operating effectiveness of those controls throughout the period. Evidence obtained in prior engagements about the satisfactory operation of controls in prior periods does not provide a basis for a reduction in testing, even if it is supplemented with evidence obtained during the current period. (Ref: par. .A28–.A30, .A36, and .A46–.A51)

.29 When performing a type 2 engagement, the service auditor should obtain an understanding of changes in the service organization's system that were implemented during the period covered by the service auditor's report. If the service auditor believes the changes would be considered significant by user entities and their auditors, the service auditor should determine whether those changes are included in management's description of the service organization's system. If such changes are not included in the description, the service auditor should describe the changes in the report and determine the effect on the report. If superseded controls are relevant to the achievement of the control objectives stated in the description, the service auditor should, if possible, test the superseded controls before the change. If the service auditor cannot test superseded controls relevant to the achievement of the control objectives stated in the description, the service auditor should determine the effect on the report. (Ref: par. .A50–.A51)

Evaluating the Reliability of Information Produced by the Service Organization

.30 When using information produced by the service organization, section 205 requires the service auditor to evaluate whether such information is sufficiently reliable for the

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service auditor's purposes by obtaining evidence about its accuracy and completeness and evaluating whether the information is sufficiently precise and detailed.[10] (Ref: par. .A52)

.31 When designing and performing tests of controls, the service auditor should

a. perform other procedures such as inspection, observation, or reperformance in combination with inquiry to obtain evidence about the following:
   i. How the control was applied
   ii. The consistency with which the control was applied
   iii. By whom or by what means the control was applied
b. determine whether the controls to be tested depend on other controls, and if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those other controls.
c. determine an effective method for selecting the items to be tested to meet the objectives of the procedure.

Nature and Cause of Deviations

.32 The service auditor should investigate the nature and cause of any deviations identified and should determine whether

a. identified deviations are within the expected rate of deviation and are acceptable. If so, the testing that has been performed provides an appropriate basis for concluding that the control operated effectively throughout the specified period.
b. additional testing of the control or other controls is necessary to reach a conclusion about whether the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period.
c. the testing that has been performed provides an appropriate basis for concluding that the control did not operate effectively throughout the specified period.

.33 If, as a result of performing the procedures in paragraph .32, the service auditor becomes aware that any identified deviations have resulted from fraud by service organization personnel, the service auditor should assess the risk that management's description of the service organization's system is not fairly presented, the controls are not suitably designed and, in a type 2 engagement, the controls are not operating effectively. (Ref: par. .A36)

.34 If the service auditor becomes aware of incidents of noncompliance with laws or regulations, fraud or uncorrected misstatements attributable to management or other service organization personnel that are not clearly trivial and that may affect one or

[10]Paragraph .36 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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more user entities, the service auditor should determine the effect of such incidents on management's assertion, management's description of the service organization's system, the achievement of the control objectives, and the service auditor's report.

Subsequent Events

.35 In performing subsequent events procedures as required by section 205, if the service auditor becomes aware of an event that is of such a nature and significance that its disclosure is necessary to prevent users of a type 1 or type 2 report from being misled, and information about that event is not disclosed by management in its description, the service auditor should disclose such event in the service auditor's report.[11]

Written Representations

.36 In addition to the written representations from management required by section 205, the service auditor should request written representations indicating that it has disclosed to the service auditor any of the following of which it is aware:[12] (Ref: par. .A53–.A56)

a. Instances of noncompliance with laws and regulations or uncorrected misstatements attributable to the service organization that may affect one or more user entities

b. Knowledge of any actual, suspected, or alleged fraud by management or the service organization's employees that could adversely affect the fairness of the presentation of management's description of the service organization's system or the completeness or achievement of the control objectives stated in the description

.37 If a service organization uses a subservice organization and management's description of the service organization's system uses the inclusive method, the service auditor should also obtain the written representations identified in section 205 and paragraph .36 of this section from management of the subservice organization.[13] (Ref: par. .A53–.A56)

.38 In a type 1 or type 2 engagement, the practitioner should request from the responsible party (in this case, management of the service organization), the written representations required by section 205 and paragraph .36 of this section, even if the engaging party is not the responsible party. The alternative to obtaining the required written representations provided for in section 205 is not permitted in a type 1 or type 2 engagement.[14] The refusal by management of the service organization (or by management of a subservice organization that is being presented using the inclusive method) to furnish the written representations required by section 205 and paragraph .36 of this section constitutes a

[11]Paragraph .49 and .A60 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[12]Paragraph .51 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[13]See footnote 12. [Footnote revised and renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[14]Paragraph .52 of section 205A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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limitation on the scope of the engagement. Such refusal is often sufficient to preclude an unmodified opinion and particularly with respect to the representations in paragraph .53 of section 205, may cause the service auditor to disclaim an opinion or withdraw from the examination engagement when withdrawal is possible under applicable law or regulation.[15] However, based on the nature of the representations not obtained or the circumstances of the refusal, the service auditor may conclude that a qualified opinion is appropriate. (Ref: par. .A53–.A57) [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

Other Information

.39 Section 205 contains requirements for situations in which prior to or after the release of the practitioner's report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter or assertion on which the service auditor reported and other information.[16] (Ref: par. .A58)

Content of the Service Auditor's Report

.40 A service auditor's type 2 report should include the following: (Ref: par. .A59–.A60)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. Identification of the following:

   i. Management's description of the service organization's system, the function performed by the system, and the period to which the description relates

   ii. The criteria identified in management's assertion against which the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description were evaluated

   iii. Any information included in a document containing the report that is not covered by the report (Ref: par. .A58)

   iv. Any services performed by a subservice organization and whether the carve-out method or the inclusive method was used in relation to them. Depending on which method is used, the following should be included:

      1. If the carve-out method was used, a statement indicating that (Ref: par. .A61)

[15][Footnote renumbered and deleted, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[16]Paragraph .58 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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A. management's description of the service organization's system excludes the control objectives and related controls of the relevant subservice organizations

B. certain control objectives specified by the service organization can be achieved only if complementary subservice organization controls assumed in the design of the service organization's controls are suitably designed and operating effectively

C. the service auditor's procedures do not extend to such complementary subservice organization controls

2. If the inclusive method was used, a statement that management's description of the service organization's system includes the subservice organization's specified control objectives and related controls, and that the service auditor's procedures included procedures related to the subservice organization

d. A statement that the controls and control objectives included in the description are those that management believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting.

e. If management's description of the service organization's system refers to the need for complementary user entity controls, a statement that the service auditor has not evaluated the suitability of the design or operating effectiveness of complementary user entity controls, and that the control objectives stated in the description can be achieved only if complementary user entity controls are suitably designed and operating effectively, along with the controls at the service organization.

f. A reference to management's assertion and a statement that management is responsible for

i. preparing the description of the service organization's system and the assertion, including the completeness, accuracy, and method of presentation of the description and assertion.

ii. providing the services covered by the description of the service organization's system.

iii. specifying the control objectives and stating them in the description of the service organization's system.

iv. identifying the risks that threaten the achievement of the control objectives.

v. selecting the criteria.

vi. designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description of the service organization's system.

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g. A statement that the service auditor is responsible for expressing an opinion on the fairness of the presentation of management's description of the service organization's system and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description based on the service auditor's examination.

h. A statement that

   i. the examination was conducted in accordance with attestation standards established by the AICPA.

   ii. those standards require that the service auditor plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's system is fairly presented and the controls are suitably designed and operating effectively throughout the specified period to achieve the related control objectives.

   iii. the service auditor believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the service auditor's opinion.

i. A statement that an examination of management's description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves

   i. performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description based on the criteria in management's assertion.

   ii. assessing the risks that management's description of the service organization's system is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives.

   iii. testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in management's description of the service organization's system were achieved.

   iv. evaluating the overall presentation of management's description of the service organization's system, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

j. A statement that the service auditor is required to be independent and to meet the service auditor's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement

k. A description of the inherent limitations of controls, including that projecting to the future any evaluation of the fairness of the presentation of management's description of the service organization's system or conclusions about the suitability of the design

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or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective.

l. A reference to a description of the service auditor's tests of controls and the results thereof that includes (Ref: par. .A62)

   i. an identification of the controls that were tested.

   ii. whether the items tested represent all or a selection of the items in the population.

   iii. the nature of the tests in sufficient detail to enable user auditors to determine the effect of such tests on their risk assessments.

   iv. any identified deviations in the operation of controls included in the description, the extent of testing performed by the service auditor that led to the identification of the deviations (including the number of items tested), and the number and nature of the deviations noted (even if, on the basis of tests performed, the service auditor concludes that the related control objective was achieved). (Ref: par. .A63)

   v. if the work of the internal audit function has been used in tests of controls to obtain evidence, a description of the internal auditor's work and of the service auditor's procedures with respect to that work. (Ref: par. .A64–.A66)

m. The service auditor's opinion on whether, in all material respects, based on the criteria described in management's assertion

   i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period.

   ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the specified period.

   iii. the controls operated effectively to provide reasonable assurance that the control objectives stated in management's description of the service organization's system were achieved throughout the specified period.

   iv. if the application of complementary user entity controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.

   v. if the application of complementary subservice organization controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.

n. An alert, in a separate paragraph, that restricts the use of the report. The alert should (Ref: par. .A67–.A72)

   i. state that the report, including the description of tests of controls and results thereof, is intended solely for the information and use of management of the

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service organization, user entities of the service organization's system during some or all of the period covered by the report, and the auditors who audit and report on such user entities' financial statements or internal control over financial reporting.

ii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.[17]

o. The manual or printed signature of the service auditor's firm.

p. The city and state where the service auditor's report is issued.

q. The date of the report. (The report should be dated no earlier than the date on which the service auditor has obtained sufficient appropriate evidence on which to base the service auditor's opinion, including evidence that

i. management's description of the service organization system has been prepared,

ii. management has provided a written assertion, and

iii. the attestation documentation has been reviewed.)

[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.41 A service auditor's type 1 report should include the following: (Ref: par. .A59 and .A72)

a. A title that includes the word *independent*.

b. An appropriate addressee as required by the circumstances of the engagement.

c. Identification of the following:

i. Management's description of the service organization's system, the function performed by the system, and the specified date to which the description relates.

ii. The criteria identified in management's assertion against which the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description were evaluated.

iii. Any information included in a document containing the report that is not covered by the report. (Ref: par. .A58)

iv. Any services performed by a subservice organization and whether the carve-out method or the inclusive method was used in relation to them. Depending on which method is used, the following should be included:

[17]Paragraph .65 or .66 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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1. If the carve-out method was used, a statement indicating that (Ref: par. .A61)

   A. management's description of the service organization's system excludes the control objectives and related controls of the relevant subservice organizations.

   B. certain control objectives specified by the service organization can be achieved only if complementary subservice organization controls assumed in the design of the service organization's controls are suitably designed and operating effectively.

   C. the service auditor's procedures do not extend to such complementary subservice organization controls.

2. If the inclusive method was used, a statement that management's description of the service organization's system includes the subservice organization's specified control objectives and related controls, and that the service auditor's procedures included procedures related to the subservice organization.

d. A statement that the controls and control objectives included in the description are those that management believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting.

e. If management's description of the service organization's system refers to the need for complementary user entity controls, a statement that the service auditor has not evaluated the suitability of the design or operating effectiveness of complementary user entity controls, and that the control objectives stated in the description can be achieved only if complementary user entity controls are suitably designed and operating effectively, along with the controls at the service organization.

f. A reference to management's assertion and a statement that management is responsible for

   i. preparing the description of the service organization's system and the assertion, including the completeness, accuracy, and method of presentation of the description and assertion.

   ii. providing the services covered by the description of the service organization's system.

   iii. specifying the control objectives and stating them in the description of the service organization's system.

   iv. identifying the risks that threaten the achievement of the control objectives.

   v. selecting the criteria.

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vi. designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description of the service organization's system.

g. A statement that the service auditor is responsible for expressing an opinion on the fairness of the presentation of management's description of the service organization's system and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on the service auditor's examination.

h. A statement that

i. the examination was conducted in accordance with attestation standards established by the AICPA.

ii. those standards require that the service auditor plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's system is fairly presented, and the controls are suitably designed as of the specified date to achieve the related control objectives.

iii. the service auditor believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the service auditor's opinion.

i. A statement that an examination of management's description of a service organization's system and the suitability of the design of the service organization's controls to achieve the related control objectives stated in the description involves

i. performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.

ii. assessing the risks that management's description of the service organization's system is not fairly presented and that the controls were not suitably designed to achieve the related control objectives.

iii. evaluating the overall presentation of management's description of the service organization's system, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

j. A statement that the service auditor is required to be independent and to meet the service auditor's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

k. A description of the inherent limitations of controls, including that projecting to the future any evaluation of the fairness of the presentation of management's description of the service organization's system or conclusions about the suitability of the design

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of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective.

l. A statement the service auditor has not performed any procedures regarding the operating effectiveness of controls and, therefore, expresses no opinion thereon.

m. The service auditor's opinion on whether, in all material respects, based on the criteria described in management's assertion

  i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented as of the specified date.

  ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of the specified date.

  iii. if the application of complementary user entity controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.

  iv. if the application of complementary subservice organization controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.

n. An alert, in a separate paragraph, that restricts the use of the report. The alert should (Ref: par. .A67–.A72)

  i. state that the report is intended solely for the information and use of management of the service organization, user entities of the service organization's system as of the specified date, and the auditors who audit and report on such user entities' financial statements or internal control over financial reporting.

  ii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.[18]

o. The manual or printed signature of the service auditor's firm.

p. The city and state where the service auditor's report is issued.

q. The date of the report. (The report should be dated no earlier than the date on which the service auditor has obtained sufficient appropriate evidence on which to base the service auditor's opinion, including evidence that

  i. management's description of the service organization system has been prepared,

  ii. management has provided a written assertion, and

[18]Paragraph .65 or .66 of section 205A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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iii. the attestation documentation has been reviewed.)

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Modified Opinions

.42 The service auditor's opinion should be modified, and the service auditor's report should contain a clear description of all the reasons for the modification, if the service auditor concludes that, based on the criteria in management's assertion (Ref. par. .A73)

a. management's description of the service organization's system is not fairly presented, in all material respects;

b. the controls are not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively, in all material respects;

c. in the case of a type 2 report, the controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system, in all material respects; or

d. the service auditor is unable to obtain sufficient appropriate evidence.

.43 If the service auditor plans to disclaim an opinion because of the inability to obtain sufficient appropriate evidence, and, based on the limited procedures performed, has concluded that, in all material respects, based on the criteria in management's assertion

a. certain aspects of management's description of the service organization's system are not fairly presented,

b. certain controls were not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively, or

c. in the case of a type 2 report, certain controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system, then

the service auditor should identify these findings in the service auditor's report.

.44 If the service auditor plans to disclaim an opinion, the service auditor *should not* identify the procedures that were performed nor include statements describing the characteristics of a service auditor's engagement in the service auditor's report—to do so might overshadow the disclaimer.

Other Communication Responsibilities

.45 In addition to the communication responsibilities in section 205, if the service auditor becomes aware of the matters identified in paragraph .34, the service auditor should

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determine whether this information has been communicated appropriately to affected user entities.[19] If the information has not been so communicated, and management of the service organization refuses to do so, the service auditor should take appropriate action. (Ref: par. .A74)

Application and Other Explanatory Material

Introduction (Ref: par. .01–.02 and .04)

.A1 Controls related to a service organization's operations and compliance objectives may be relevant to a user entity's internal control over financial reporting. Such controls may pertain to assertions about presentation and disclosure relating to account balances, classes of transactions or disclosures, or may pertain to evidence that the user auditor evaluates or uses in applying auditing procedures. For example, a payroll processing service organization's controls related to the timely remittance of payroll deductions to government authorities may be relevant to a user entity because late remittances could incur interest and penalties that would result in a liability to the user entity. Similarly, a service organization's controls over the acceptability of investment transactions from a regulatory perspective may be considered relevant to a user entity's presentation and disclosure of transactions and account balances in its financial statements.

.A2 Section 105 requires the practitioner to consider applicable interpretive publications when planning and performing an attestation engagement.[20] Additional interpretive guidance for a practitioner examining controls at a service organization relevant to user entities' internal control over financial reporting is provided in the AICPA Guide *Service Organizations: Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*.

.A3 Paragraph .04 of this section refers to other engagements the practitioner may perform and report on under section 205 when reporting on controls at a service organization. Paragraph .04 is not, however, intended to

- alter the definitions of a *service organization* and *service organization's system* in paragraph .08 to permit reports issued under this section to include in the description of the service organization's system aspects of their services (including relevant control objectives and related controls) not likely to be relevant to user entities' internal control over financial reporting, or
- permit a practitioner's report to be issued that combines reporting under this section on a service organization's controls that are likely to be relevant to user entities' internal control over financial reporting, with reporting under section 205 on controls that are not likely to be relevant to user entities' internal control over financial reporting.

[19]Paragraphs .85–.86 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[20]Paragraph .23 of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.A4 When a service auditor conducts an engagement under section 205 to report on controls at a service organization other than those controls likely to be relevant to user entities' internal control over financial reporting, and the service auditor intends to use the guidance in this section in planning and performing that engagement, the service auditor may encounter matters that differ significantly from those associated with engagements to report on a service organization's controls likely to be relevant to user entities' internal control over financial reporting. The following are examples of such matters:

- Identification of suitable and available criteria, as prescribed in section 105, for evaluating the fairness of presentation of management's description of the service organization's system and the suitability of the design and the operating effectiveness of the controls[21]
- Identification of appropriate control objectives, and the basis for evaluating the reasonableness of the control objectives in the circumstances of the particular engagement
- Identification of the intended users of the report and the manner in which they intend to use the report
- Relevance and appropriateness of the definitions in paragraph .08, many of which specifically relate to internal control over financial reporting
- Application of references to auditing standards (AU-C sections) that are intended to provide the service auditor with guidance relevant to internal control over financial reporting
- Application of the concept of materiality in the circumstances of the particular engagement
- Developing the language to be used and identifying the elements to be included in a practitioner's examination report, as discussed in section 205[22]

.A5 In some circumstances, management of the service organization may not be in a position to assert that the controls are suitably designed, for example, because the controls have been designed by management of the user entity. If management is unable to assert that the controls are suitably designed, management would also be precluded from asserting that the controls are operating effectively because of the inextricable link between the suitability of the design of controls and their operating effectiveness. The absence of an assertion with respect to the suitability of design of controls would preclude the service auditor from expressing an opinion on the operating effectiveness of controls. As an alternative, the practitioner may report under section 205 on whether the controls were operating as described or may perform agreed-upon procedures under section 215.

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[21]Paragraph .27*b*(ii) of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[22]Paragraphs .63–.66 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Definitions (Ref: par. .08)

Complementary User Entity Controls

.A6 Complementary user entity controls are specific and relevant to the services provided by the service organization applicable to user entities' internal control over financial reporting.

Controls at a Service Organization

.A7 The policies and procedures referred to in the definition of *controls at a service organization* in paragraph .08 include aspects of the information and communications component of user entities' internal control maintained by the service organization and control activities related to the information and communications component and may also include aspects of one or more of the other components of internal control at a service organization. For example, the definition of *controls at a service organization* may include aspects of the service organization's control environment, risk assessment, monitoring activities, and control activities when they relate to the services provided. Such definition does not, however, include controls at a service organization that are not related to the achievement of the control objectives stated in management's description of the service organization's system, for example, controls related to the preparation of the service organization's own financial statements.

Service Organization's System

.A8 The policies and procedures referred to in the definition of *service organization's system* refer to the guidelines and activities for providing transaction processing and other services to user entities and include the infrastructure, software, people, and data that support the policies and procedures.

Subservice Organization

.A9 There may be instances in which a subservice organization uses the services of another service organization to perform services that are likely to be relevant to user entities' internal control over financial reporting. In those circumstances, the service organization that provides services to the subservice organization is also a subservice organization.

Management and Those Charged With Governance (Ref: par. .09)

.A10 For the purposes of this section, the responsible party is management of the service organization.

.A11 Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for this section to specify for all engagements the person(s) with whom the service auditor is to interact regarding particular matters. For example, the service organization may be a segment of an organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance from whom to request written representations may require the exercise of professional judgment.

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Preconditions

Service Auditor Need Not Be Independent of User Entities (Ref: par. .10)

.A12 In performing a service auditor's engagement, the service auditor need not be independent of each user entity.

Law or Regulation Requires Acceptance or Continuance of Engagement (Ref: par. .10)

.A13 If one or more of the conditions in paragraph .10 of this section or in section 105 are not met and the service auditor is, nevertheless, required by law or regulation to accept or continue an engagement to report on controls at a service organization, the service auditor is required, in accordance with paragraphs .42–.44, to determine the effect on the service auditor's report of one or more of such conditions not being met.[23]

Management's Responsibility for Documenting the Service Organization's System (Ref: par. .10b[i])

.A14 Management of the service organization is responsible for documenting the service organization's system. No one particular form of documentation is prescribed, and the extent of documentation may vary depending on the size and complexity of the service organization and its monitoring activities.

Reasonable Basis for Management's Assertion (Ref: par. .10b[ii] and .15a[viii])

.A15 Management's monitoring activities may provide evidence of the design and operating effectiveness of controls in support of management's assertion. *Monitoring of controls* is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis, identifying and reporting deficiencies to appropriate individuals within the service organization, and taking necessary corrective actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities. Internal auditors or personnel performing similar functions may contribute to the monitoring of a service organization's activities. Monitoring activities may also include using information communicated by external parties, such as customer complaints, which may indicate problems or highlight areas in need of improvement. The greater the degree and effectiveness of ongoing monitoring, the less need for separate evaluations. Usually, some combination of ongoing monitoring and separate evaluations will ensure that internal control maintains its effectiveness over time. The service auditor's report on controls is not a substitute for the service organization's own processes to provide a reasonable basis for its assertion.

[23] Paragraphs .26–.30 of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Management's Responsibility for Control Objectives (Ref. par. 10b[iv])

.A16 The control objectives stated in management's description of the service organization's system relate to the types of financial statement assertions commonly embodied in the broad range of user entities' financial statements to which controls at the service organization could reasonably be expected to relate.

Management's Responsibility for Identifying Risks (Ref: par. .10b[v])

.A17 Control objectives relate to risks that controls seek to mitigate. For example, the risk that a transaction is recorded at the wrong amount or in the wrong period can be expressed as a control objective that transactions are recorded at the correct amount and in the correct period. Management is responsible for identifying the risks that threaten achievement of the control objectives stated in management's description of the service organization's system. A service organization's controls may be designed with the assumption that user entities will have implemented complementary user entity controls or that subservice organizations will have implemented complementary subservice organization controls that are necessary to achieve the control objectives. The risks that management identifies also include the risk that such controls were not implemented by user entities or subservice organizations or that those controls were not operating effectively. Management may have a formal or informal process for identifying relevant risks. A formal process may include estimating the significance of identified risks, assessing the likelihood of their occurrence, and deciding about actions to address them. However, because control objectives relate to risks that controls seek to mitigate, thoughtful identification by management of control objectives when designing, implementing, and documenting the service organization's system may itself comprise an informal process for identifying relevant risks.

Providing a Written Assertion (Ref: par. .10b[vi])

.A18 The service organization's assertion may be attached to the description of the service organization's system or may be included in the description if clearly segregated from the description, for example, through the use of headings. Segregating the assertion from the description clarifies that the assertion is not part of the description. (See subparagraph (b) of the definitions of *management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls* and *management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls* in paragraph .08.)

Inclusive Method (Ref: par. .11)

.A19 The inclusive method is generally feasible if, for example, the service organization and the subservice organization are related, or if the contract between the service organization and the subservice organization provides for the use of the inclusive method. In such circumstances, the service organization is the engaging party, and the requirements relative to agreeing on the terms of the engagement may not be applicable.

.A20 If the inclusive method is used, matters to be agreed upon or coordinated by the service organization and the subservice organization include

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- the scope of the examination and the period to be covered by the service auditor's report.
- acknowledgment from management of the subservice organization that it will provide the service auditor with a written assertion and representation letter. (Both management of the service organization and management of the subservice organization are responsible for providing the service auditor with a written assertion and representation letter.)
- the planned content and format of the inclusive description.
- the representatives of the subservice organization and the service organization who will be responsible for
  - — providing each entity's description.
  - — integrating the descriptions.
- for a type 2 report, the timing of the tests of controls.

Request to Change the Scope of the Engagement (Ref: par. .12)

.A21 A request to change the scope of the engagement may not have a reasonable justification if, for example, the request is made

- to exclude certain control objectives at the service organization from the scope of the engagement because of the likelihood that the service auditor's opinion would be modified with respect to those control objectives.
- to prevent the disclosure of deviations identified at a subservice organization by requesting a change from the inclusive method to the carve-out method.

.A22 A request to change the scope of the engagement may have a reasonable justification when, for example, the request is made because the service organization, a transfer agent, after providing the description of its system to the service auditor, decides that it would like to remove a control objective related to new fund setup because only one fund was set up during the reporting period, and management of the fund had performed its own testing. The service auditor concluded that the removal of the control objective related to new fund setup was reasonable in the circumstances because the objective was not relevant to a broad range of user entities during the examination period.

Requesting a Written Assertion (Ref: par. .13 and .18)

.A23 Paragraph .13 applies regardless of whether the responsible party is the engaging party.

.A24 Exhibit B, "Illustrative Assertions by Management of a Service Organization," contains illustrative management assertions for type 1 and type 2 engagements.

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Assessing the Suitability of the Criteria (Ref: par. .14)

.A25 Section 105 requires a practitioner, among other things, to determine whether the criteria to be applied in the preparation and evaluation of the underlying subject matter are suitable and will be available to the intended users, and the subject matter is appropriate.[24] Section 105 also indicates that one of the attributes of an appropriate subject matter is that it is identifiable and capable of consistent measurement or evaluation against the criteria.[25] As indicated in section 105, the responsible party (in this case, management of the service organization) or the engaging party is responsible for selecting the criteria, and the engaging party is responsible for determining that such criteria are appropriate for its purposes.[26] For an examination or review engagement, section 105 defines the *underlying subject matter* as the phenomenon that is measured or evaluated by applying criteria.[27] [Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

.A26 For the purposes of engagements performed in accordance with this section, criteria need to be available to user entities and their auditors to enable them to understand the basis for the service organization's assertion about the fair presentation of management's description of the service organization's system, the suitability of the design of controls that address control objectives stated in the description of the system and, in the case of a type 2 report, the operating effectiveness of such controls. Information about suitable criteria is provided in section 105.[28] Paragraphs .15–.17 discuss the criteria for evaluating the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the controls.

Monitoring the Effectiveness of Controls at Subservice Organizations (Ref: par. .15a[viii])

.A27 Management's description of the service organization's system and the scope of the service auditor's engagement includes controls at the service organization that monitor the effectiveness of controls at the subservice organization, which may include some combination of ongoing monitoring to determine that potential issues are identified timely and separate evaluations to determine that the effectiveness of internal control is maintained over time. Such monitoring activities may include

- reviewing and reconciling output reports,
- holding periodic discussions with the subservice organization,

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[24]Paragraph .27*b*(ii) of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[25]Paragraph .A39*a* of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[26]Paragraph .A47 of section 105A. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[27]Definition of *underlying subject matter* in paragraph .12 of section 105A. [Footnote revised and renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[28]See footnote 24. [Footnote revised and renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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- making regular site visits to the subservice organization,
- testing controls at the subservice organization by members of the service organization's internal audit function,
- reviewing type 1 or type 2 reports on the subservice organization's system prepared pursuant to this section or section 205, and
- monitoring external communications, such as customer complaints relevant to the services by the subservice organization.

Materiality (Ref: par. .19, .25, and .27–.28)

.A28 In an engagement to report on controls at a service organization, the concept of materiality relates to the information being reported on, not the financial statements of user entities. The service auditor plans and performs procedures to determine whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's system is fairly presented; controls at the service organization are suitably designed to achieve the control objectives stated in the description; and, in the case of a type 2 report, controls at the service organization operated effectively throughout the specified period to achieve the control objectives stated in the description. The concept of materiality takes into account that the service auditor's report provides information about the service organization's system to meet the common information needs of a broad range of user entities and their auditors who have an understanding of the manner in which the system is being used by a particular user entity for financial reporting.

.A29 Materiality with respect to the fair presentation of management's description of the service organization's system and with respect to the design of controls primarily includes the consideration of qualitative factors, for example, whether

- management's description of the service organization's system includes the significant aspects of the processing of transactions.
- management's description of the service organization's system omits or distorts relevant information.
- the controls have the ability, as designed, to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved.

Materiality with respect to the operating effectiveness of controls includes the consideration of both quantitative and qualitative factors, for example, the tolerable rate and observed rate of deviation (a quantitative matter) and the nature and cause of any observed deviations (a qualitative matter).

.A30 The concept of materiality is not applied when disclosing, in the description of the tests of controls, the results of those tests when deviations have been identified. This is because in the particular circumstances of a specific user entity or user auditor, a deviation may have significance beyond whether or not, in the opinion of the service auditor, it prevents

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a control from operating effectively. For example, the control to which the deviation relates may be particularly significant in preventing a certain type of error that may be material in the particular circumstances of a user entity's financial statements.

Obtaining an Understanding of the Service Organization's System and Assessing the Risk of Material Misstatement (Ref: par. .20 and .22)

.A31 Obtaining an understanding of the service organization's system, including related controls, assists the service auditor in the following:

- Identifying the boundaries of the system and how it interfaces with other systems
- Assessing whether management's description of the service organization's system fairly presents the service organization's system that has been designed and implemented
- Understanding which controls are necessary to achieve the control objectives stated in management's description of the service organization's system, whether controls were suitably designed to achieve those control objectives, and, in the case of a type 2 report, whether controls were operating effectively throughout the specified period to achieve those control objectives.
- When a separate type 1 or type 2 report exists for a subservice organization, whether management has identified controls that are necessary, either at the service organization or at user entities, to address relevant complementary user entity controls identified in the carved-out subservice organization's description of its system.

.A32 Paragraph .15*a*(viii) indicates that the criteria for assessing whether management's description of the service organization's system is fairly presented should include other aspects of the service organization's control environment, risk assessment process, information and communications (including relevant business processes), control activities, and monitoring activities that are relevant to the services provided. Although aspects of the service organization's control environment, risk assessment process, and monitoring activities may not be presented in the description in the context of control objectives, they may, nevertheless, be necessary to achieve the specified control objectives stated in the description. Likewise, deficiencies in these controls may have an effect on the service auditor's assessment of whether the controls, taken as a whole, were suitably designed or operating effectively to achieve the specified control objectives.

.A33 The service auditor's procedures to obtain the understanding may include the following:

- Inquiring of management and others within the service organization who, in the service auditor's judgment, may have relevant information
- Observing operations and inspecting documents, reports, and printed and electronic records of transaction processing

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- Inspecting a selection of agreements between the service organization and user entities to identify their common terms
- Reperforming the application of a control

One or more of the preceding procedures may be accomplished through the performance of a walkthrough.

.A34 In a type 1 or type 2 engagement, the risk of material misstatement relates to the risk that, in all material respects, based on the criteria in management's assertion

a. management's description of the service organization's system is not fairly presented;

b. the controls are not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively; and

c. in the case of a type 2 report, the controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system.

.A35 The risks identified in paragraph .A34 may include those related to new or changed controls, system changes, significant changes in processing volume, new personnel or significant changes in key management or personnel, new types of transactions, new products or technologies, or modifications to the service auditor's opinion in the service auditor's report for the prior year.

Reasonable Assurance (Ref: par. .25, .27–.28, and .33)

.A36 In a service auditor's examination engagement, the service auditor plans and performs the engagement to obtain reasonable assurance of detecting misstatements in management's description of the service organization's system and instances in which control objectives were not achieved. Absolute assurance is not attainable because of factors such as the need for judgment, the use of sampling, and the inherent limitations of controls at the service organization that affect whether the description is fairly presented and the controls are suitably designed and operating effectively to achieve the control objectives, and because much of the evidence available to the service auditor is persuasive, rather than conclusive, in nature. Also, procedures that are effective for detecting unintentional misstatements in the description, and instances in which control objectives were not achieved, may be ineffective for detecting misstatements in the description resulting from fraud and instances in which the control objectives were not achieved that are concealed through collusion between service organization personnel and a third party or among management or employees of the service organization. Therefore, the subsequent discovery of the existence of material misstatements in the description or instances in which control objectives were not achieved does not, in and of itself, evidence inadequate planning, performance, or judgment on the part of the service auditor.

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Obtaining Evidence Regarding Management's Description of the Service Organization's System (Ref: par. .15*a*[vi] and .25–.26)

.A37 Considering the following questions may assist the service auditor in determining whether management's description of the service organization's system is fairly presented, in all material respects, based on the criteria in management's assertion:

- Is the description prepared at a level of detail that could reasonably be expected to provide a broad range of user auditors with sufficient information to obtain an understanding of internal control in accordance with AU-C section 402? The description need not address every aspect of the service organization's processing or the services provided to user entities and need not be so detailed that it would potentially enable a reader to compromise security or other controls at the service organization.
- Is the description prepared in a manner that does not omit or distort information that might affect the decisions of a broad range of user auditors, for example, does the description contain any significant omissions or inaccuracies regarding processing of which the service auditor is aware?
- Does the description include relevant details of changes to the service organization's system during the period covered by the description when the description covers a period of time?
- Have the controls identified in the description actually been implemented?
- If the inclusive method has been used, does the description separately identify controls at the service organization and controls at the subservice organization? Does the description include activities at the service organization that monitor the effectiveness of controls at the subservice organization?
- Are complementary user entity controls, if any, adequately described? In most cases, the control objectives stated in the description are worded so that they are capable of being achieved through the effective operation of controls implemented by the service organization alone. In some cases, however, the control objectives stated in the description cannot be achieved by the service organization alone because their achievement requires particular controls to be implemented by user entities. For example, to achieve the specified control objectives, a user entity may need to review the completeness and accuracy of input provided to the service organization before submitting it to the service organization or the completeness and accuracy of reports provided to the user entity subsequent to processing. When the description does include complementary user entity controls, the description separately identifies those controls, along with the specific control objectives that cannot be achieved by the service organization alone.
- If the carve-out method has been used, does the description identify the functions that are performed by the subservice organization? (When the carve-out method has been used, the description does not describe the detailed processing or controls at the subservice organization.) Does the description include activities at the service

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organization that monitor the effectiveness of controls at the subservice organization as well as complementary subservice organization controls?

.A38 The service auditor's procedures to evaluate the fair presentation of management's description of the service organization's system may include the following:

- Considering the nature of the user entities and how the services provided by the service organization are likely to affect them, for example, the predominant types of user entities, and whether the user entities are regulated by government agencies
- Reading contracts with user entities to gain an understanding of the service organization's contractual obligations
- Observing procedures performed by service organization personnel
- Reviewing the service organization's policy and procedure manuals and other documentation of the system, for example, flowcharts and narratives
- Performing walkthroughs of transactions through the service organization's system

.A39 Paragraph .25*a* requires the service auditor to evaluate whether the control objectives stated in management's description of the service organization's system are reasonable in the circumstances. Considering the following questions may assist the service auditor in this evaluation:

- Do the control objectives stated in the description relate to the types of assertions commonly embodied in the broad range of user entities' financial statements to which controls at the service organization could reasonably be expected to relate (for example, assertions about existence and accuracy that are affected by access controls that prevent or detect unauthorized access to the system)? Although the service auditor ordinarily will not be able to determine how controls at a service organization specifically relate to the assertions embodied in individual user entities' financial statements, the service auditor considers matters, such as the following, when identifying the types of assertions to which the controls are likely to relate:
  - The types of services provided by the service organization, including the classes of transactions processed
  - The contents of reports and other information prepared for user entities
  - The information used in the performance of procedures
  - The types of significant events other than transactions that occur in providing the services
  - Services performed by a subservice organization, if any
  - The responsibility of the service organization to implement controls, including responsibilities established in contracts and agreements with user entities

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— The risks to a user entity's internal control over financial reporting arising from information technology used or provided by the service organization

- Are the control objectives stated in the description complete? Although a complete set of control objectives can provide a broad range of user auditors with a framework to assess the effect of controls at the service organization on assertions commonly embodied in user entities' financial statements, the service auditor ordinarily will not be able to determine how controls at a service organization specifically relate to the assertions embodied in individual user entities' financial statements and cannot, therefore, determine whether control objectives are complete from the viewpoint of individual user entities or user auditors. It is the responsibility of individual user entities or user auditors to assess whether the service organization's description addresses the particular control objectives that are relevant to their needs. If the control objectives are specified by an outside party, including control objectives specified by law or regulation, the outside party is responsible for their completeness and reasonableness.

.A40 The service auditor's procedures to determine whether the system described by the service organization has been implemented may be similar to, and performed in conjunction with, procedures to obtain an understanding of that system. Other procedures that the service auditor may use in combination with inquiry of management and other service organization personnel include observation, inspection of records and other documentation, and reperformance of the manner in which transactions are processed through the system and controls are applied.

Obtaining Evidence Regarding the Design of Controls (Ref: par. .27)

.A41 The risks and control objectives identified in paragraph .27 encompass fraud and unintentional acts that threaten the achievement of the control objectives.

.A42 From the viewpoint of a user auditor, a control is suitably designed to achieve the control objectives stated in management's description of the service organization's system if individually or in combination with other controls, it would, when complied with satisfactorily, provide reasonable assurance that material misstatements are prevented, or detected and corrected. A service auditor, however, is not aware of the circumstances at individual user entities that would affect whether or not a misstatement is material to those user entities. Therefore, from the viewpoint of a service auditor, a control is suitably designed if individually or in combination with other controls, it would, when complied with satisfactorily, provide reasonable assurance that the control objective(s) stated in the description of the service organization's system are achieved.

.A43 A service auditor may consider using flowcharts, questionnaires, or decision tables to facilitate understanding the design of the controls.

.A44 Controls may consist of a number of activities directed at the achievement of various control objectives. Consequently, if the service auditor evaluates certain activities as being ineffective in achieving a particular control objective, the existence of other activities may

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allow the service auditor to conclude that controls related to the control objective are suitably designed to achieve the control objective. (Ref: par. .27)

.A45 The service organization may have different controls in place to address each of the risks associated with the control objective; therefore, multiple controls may be needed in order for the service auditor to conclude on the design of controls relating to each of the risks associated with the control objective.

Obtaining Evidence Regarding the Operating Effectiveness of Controls (Ref: par. .15*b* and .28–.29)

.A46 From the viewpoint of a user auditor, a control is operating effectively if individually or in combination with other controls, it provides reasonable assurance that material misstatements are prevented, or detected and corrected. A service auditor, however, is not aware of the circumstances at individual user entities that would affect whether or not a misstatement resulting from a control deviation is material to those user entities. Therefore, from the viewpoint of a service auditor, a control is operating effectively if, individually or in combination with other controls, it provides reasonable assurance that the control objectives stated in management's description of the service organization's system are achieved. Similarly, a service auditor is not in a position to determine whether any observed control deviation would result in a material misstatement from the viewpoint of an individual user entity.

.A47 Obtaining an understanding of controls sufficient to opine on the suitability of their design is not sufficient evidence regarding their operating effectiveness unless some automation provides for the consistent operation of the controls as they were designed and implemented. For example, obtaining information about the implementation of a manual control at a point in time does not provide evidence about operation of the control at other times. However, because of the inherent consistency of IT processing, performing procedures to determine the design of an automated application control and whether it has been implemented may serve as evidence of that control's operating effectiveness, depending on the service auditor's assessment and testing of IT general controls such as those over program changes.

.A48 Evidence about the satisfactory operation of controls in prior periods does not provide evidence of the operating effectiveness of controls during the current period. The service auditor expresses an opinion on the effectiveness of controls throughout each period; therefore, sufficient appropriate evidence about the operating effectiveness of controls throughout the current period is required for the service auditor to express that opinion for the current period. Knowledge of modifications to the service auditor's report or deviations observed in prior engagements may, however, be considered in assessing risk and lead the service auditor to increase the extent of testing during the current period.

.A49 Generally, a type 2 report(s) is most useful to user entities and their auditors when it covers a substantial portion of the period covered by the user entity's financial statements being audited.

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.A50 Determining the effect of changes in the service organization's controls that were implemented during the period covered by the service auditor's report involves gathering information about the nature and extent of such changes, how they affect processing at the service organization, and how they might affect assertions in the user entities' financial statements.

.A51 Certain controls may not leave evidence of their operation that can be tested at a later date and, accordingly, the service auditor may find it appropriate to test the operating effectiveness of such controls at various times throughout the reporting period.

Evaluating the Reliability of Information Produced by the Service Organization (Ref: par. .30)

.A52 The following are examples of information produced by a service organization that are commonly used by a service auditor:

- Population lists the service auditor uses to select a sample of items for testing
- Lists of data that have specific characteristics
- Exception reports
- Transaction reconciliations
- Documentation that provides evidence of the operating effectiveness of controls, such as user access lists
- System-generated reports
- Other system-generated data

Written Representations (Ref: par. .12 and .36–.38)

.A53 Written representations reaffirming the service organization's assertion about the effective operation of controls may be based on ongoing monitoring activities, separate evaluations, or a combination of the two.

.A54 In certain circumstances, a service auditor may obtain written representations from parties in addition to management of the service organization, such as those charged with governance.

.A55 The written representations required by paragraph .36 are separate from and in addition to the assertion that accompanies management's description of the service organization's system.

.A56 In addition to the written representations required by paragraph .36, the service auditor may consider it necessary to request other written representations.

.A57 If the service auditor is unable to obtain written representations regarding relevant control objectives and related controls at the subservice organization, management of the service organization may be able to use the carve-out method.

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Other Information (Ref: par. .39, .40*c*[iii], and .41*c*[iii])

.A58 The other information referred to in paragraph .39 may include

- information provided by the service organization and included in a separate section of the type 1 or type 2 report, or
- information outside the type 1 or type 2 report included in a document that contains the service auditor's report. This other information may be provided by the service organization or another party.

Content of the Service Auditor's Report (Ref: par. .40 and .41)

.A59 Examples of service auditors' reports are presented in exhibit A of this section, and illustrative assertions by management of the service organization are presented in exhibit B.

.A60 The list of report elements in paragraphs .40 and .41 constitutes all the required report elements for a service auditor's type 2 and type 1 engagement, respectively, including the elements required by section 205.[29] Application guidance regarding the elements of a practitioner's examination report is included in section 205.[30] (Ref: par. .40)

.A61 The following is an example of the information required by paragraphs .40*c*(iv)(1) and .41*c*(iv)(1):

> As indicated in the description, XYZ Service Organization uses a subservice organization for all of its computerized application processing. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified by XYZ Service Organization can be achieved only if complementary subservice organization controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

Description of the Service Auditor's Tests of Controls and the Results Thereof (Ref: par. .40k)

.A62 The service auditor may include in the description of tests of controls and results the procedures the service auditor performed to verify the completeness and accuracy of information provided by the service organization.

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[29]Paragraphs .63–.66 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

[30]Paragraphs .A85–.A111 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.A63 In describing the service auditor's tests of controls and results thereof for a type 2 report, it is helpful to readers if the service auditor's report includes information about causative factors for identified deviations, to the extent the service auditor has identified such factors.

.A64 When the work of the internal audit function has been used in performing tests of controls, the service auditor's description of that work and of the service auditor's procedures with respect to that work may be presented in a number of ways, for example

- by including introductory material to the description of tests of controls indicating that certain work of the internal audit function was used in performing tests of controls and describing the service auditor's procedures with regard to that work.
- by attributing individual tests to internal audit and describing the service auditor's procedures with regard to that work.

.A65 The work of the internal audit function referred to in paragraph .40*k*(v) does not include tests of controls performed by internal auditors as a part of direct assistance.

.A66 Other than the description of the work of the internal auditors referred to in paragraph .40*k*(v), the service auditor's report does not make any reference to the use of the work of the internal audit function to obtain evidence or to the use of internal auditors to provide direct assistance.

Use of the Service Auditor's Report (Ref: par. .40m and .41m)

.A67 Section 205 requires that the use of a practitioner's report be restricted to specified parties when the criteria used to evaluate or measure the subject matter are available only to specified parties or appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.[31] The criteria used for engagements to report on controls at a service organization are relevant only for the purpose of providing information about the service organization's system, including controls, to those who have an understanding of how the system is used for financial reporting by user entities and, accordingly, the service auditor's report states that the report and the description of tests of controls are intended only for use by management of the service organization, user entities of the service organization ("during some or all of the period covered by the service auditor's report" for a type 2 report, and "as of the specified date" for a type 1 report), and their user auditors. (The illustrative reports in exhibit A of this section illustrate language for a paragraph restricting the use of the report.)

.A68 Section 205 indicates that the need for restriction on the use of a practitioner's report may result from a number of circumstances, including the potential for the report to be misunderstood when taken out of the context in which it was intended to be used, and the extent to which the procedures performed are known or understood.[32]

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[31]Paragraph .64*b* of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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.A69 Although the alert language in the service auditor's report restricts the use of the report, a service auditor is not responsible for controlling a service organization's distribution of a report. A service auditor may inform the service organization of the following:

- A service auditor's type 1 report is not intended for distribution to parties other than the service organization, user entities of the service organization's system as of the end of the period covered by the report, and their user auditors.
- A service auditor's type 2 report is not intended for distribution to parties other than the service organization, user entities of the service organization's system during some or all of the period covered by the report, and their user auditors.

.A70 A user entity is also considered a user entity of the service organization's subservice organizations if controls at subservice organizations are relevant to internal control over financial reporting of the user entity. In such case, the user entity is referred to as an *indirect* or *downstream* user entity of the subservice organization. Consequently, an indirect or downstream user entity may be included in the group to whom use of the service auditor's report is restricted if controls at the service organization are relevant to internal control over financial reporting of such indirect or downstream user entity.

.A71 In engagements in which the inclusive method is used, the users of a subservice organization's system that are not users of the service organization's system, are not *user entities*, as defined in paragraph .08.

.A72 In engagements in which the inclusive method is used, management of a subservice organization may be identified as a specified party and, if so, would be included in the alert language described in paragraphs .40*m* and .41*m*.

Modified Opinions (Ref: par. .42)

.A73 The AICPA Guide *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1)* contains examples of elements of modified service auditor's reports.

Other Communication Responsibilities (Ref: par. .45)

.A74 Actions that a service auditor may take when the service auditor becomes aware of noncompliance with laws or regulations, fraud, or uncorrected misstatements at the service organization (after giving additional consideration to instances in which the service organization has not appropriately communicated this information to affected user entities, and the service organization refuses to do so) include the following:

- Obtaining legal advice about the consequences of different courses of action

[32]Paragraph .A110 of section 205. [Footnote renumbered, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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- Communicating with those charged with governance of the service organization
- Disclaiming an opinion, modifying the service auditor's opinion, or adding a separate paragraph to the practitioner's report that describes the matter
- Communicating with third parties, for example, a regulator, when required to do so
- Withdrawing from the engagement
- Considering the nature of the user entities and how the services provided by the service organization are likely to affect them, for example, the predominant types of user entities, and whether the user entities are regulated by government agencies
- Reading contracts with user entities to gain an understanding of the service organization's contractual obligations
- Observing procedures performed by service organization personnel
- Reviewing the service organization's policy and procedure manuals and other documentation of the system, for example, flowcharts and narratives
- Performing walkthroughs of transactions through the service organization's system

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Exhibit A — Illustrative Service Auditor's Reports

.A75 The following illustrative service auditor's reports contain text in ***boldface italics*** that would be added to the report if the situation described in the text is applicable. These illustrative reports are for guidance only and are not intended to be exhaustive or applicable to all situations. The inclusion of headings in the report may be useful but is not required by this section or section 205.[1] The AICPA Guide *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1)* includes additional illustrative reports, including reports with modified opinions.

[1]Paragraph .A82 of section 205A.

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Example 1: Type 2 Service Auditor's Report

Independent Service Auditor's Report[2] on XYZ Service Organization's Description of Its [*type or name of*] System and the Suitability of the Design and Operating Effectiveness of Controls

To: XYZ Service Organization

Scope

We have examined XYZ Service Organization's description of its [*type or name of*] system entitled "XYZ Service Organization's Description of Its [*type or name of*] System" for processing user entities' transactions [*or identification of the function performed by the system*] throughout the period [*date*] to [*date*] (description) and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "XYZ Service Organization's Assertion" (assertion). The controls and control objectives included in the description are those that management of XYZ Service Organization believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the [*type or name of*] system that are not likely to be relevant to user entities' internal control over financial reporting.

[A statement such as the following is added to the service auditor's report when information that is not covered by the report is included in the description of the service organization's system.]

The information included in **[section number where the other information is presented],** ***"Other Information Provided by XYZ Service Organization" is presented by management of XYZ Service Organization to provide additional information and is not a part of XYZ Service Organization's description of its*** **[name or type of]** ***system made available to user entities during the period*** **[date]** ***to*** **[date].** ***Information about XYZ Service Organization's*** **[describe the nature of the information, for example, business continuity planning, privacy practices, and so on]** ***has not been subjected to the procedures applied in the examination of the description of the*** **[name or type of]** ***system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the*** **[name or type of]** ***system.***

[*A statement such as the following is added to the service auditor's report when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.]*

XYZ Service Organization uses a subservice organization to **[identify the function or service provided by the subservice organization].** ***The description includes***

[2] May also be "Report of Independent Service Auditors."

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only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified by XYZ Service Organization can be achieved only if complementary subservice organization controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with the related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

[*A statement such as the following is added to the assertion when complementary user entity controls are required to meet the control objectives.]*

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In [*section number where the assertion is presented*], XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. XYZ Service Organization is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period [*date*] to [*date*]. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions [*or identification of the function performed by the system*]. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing, and results of those tests are listed in [*section number where the description of tests of controls is presented*].

Opinion

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization's assertion

a. the description fairly presents the [*type or name of*] system that was designed and implemented throughout the period [*date*] to [*date*].
b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be

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achieved if the controls operated effectively throughout the period [*date*] to [*date*] ***and subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls throughout the period*** **[date]** ***to*** **[date]**.

c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period [*date*] to [*date*] ***if complementary subservice organization and user entity controls assumed in the design of XYZ Service Organization's controls operated effectively throughout the period*** **[date]** ***to*** **[date].**

Restricted Use

This report, including the description of tests of controls and results thereof in [*section number where the description of tests of controls is presented*], is intended solely for the information and use of management of XYZ Service Organization, user entities of XYZ Service Organization's [*type or name of*] system during some or all of the period [*date*] to [*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than the specified parties.

[*Service auditor's signature*]

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

[*Date of the service auditor's report*]

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Example 2: Type 1 Service Auditor's Report

Independent Service Auditor's Report[3] on XYZ Service Organization's Description of Its [*type or name of*] System and the Suitability of the Design of Controls

To: XYZ Service Organization

We have examined XYZ Service Organization's description of its [*type or name of*] system entitled, "XYZ Service Organization's Description of Its [*type or name of*] System," for processing user entities' transactions [*or identification of the function performed by the system*] as of [*date*] (description) and the suitability of the design of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "XYZ Service Organization's Assertion" (assertion). The controls and control objectives included in the description are those that management of XYZ Service Organization believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the [*type or name of*] system that are not likely to be relevant to user entities' internal control over financial reporting.

[A statement such as the following is added to the service auditor's report when information that is not covered by the report is included in the description of the service organization's system.]

The information included in **[section number where the other information is presented],** ***"Other Information Provided by XYZ Service Organization," is presented by management of XYZ Service Organization to provide additional information and is not a part of XYZ Service Organization's description of its*** **[name or type of]** ***system made available to user entities as of*** **[date].** ***Information about XYZ Service Organization's*** **[describe the nature of the information, for example, business continuity planning, privacy practices, and so on]** ***has not been subjected to the procedures applied in the examination of the description of the*** **[name or type of]** ***system and of the suitability of the design of controls to achieve the related control objectives stated in the description of the*** **[name or type of]** ***system***.

[*A statement such as the following is added to the report when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives*.]

XYZ Service Organization uses a subservice organization to **[identify the function or service provided by the subservice organization].** ***The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified by XYZ Service Organization can be achieved only if complementary subservice***

[3] May also be "Report of Independent Service Auditors."

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organization controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with the related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the design or operating effectiveness of such complementary subservice organization controls.

[*A statement such as the following is added to the assertion when complementary user entity controls are required to meet the control objectives.*]

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In [*section number where assertion is presented*], XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design of the controls to achieve the related control objectives stated in the description. XYZ Service Organization is responsible for preparing the description and its assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed to achieve the related control objectives stated in the description as of [*date*]. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design of controls involves

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related

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control objectives stated in the description, based on the criteria in management's assertion.

- assessing the risks that the description is not fairly presented and that the controls were not suitably designed to achieve the related control objectives stated in the description.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Inherent Limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions [*or identification of the function performed by the system*]. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

Other Matter

We did not perform any procedures regarding the operating effectiveness of controls stated in the description and, accordingly, do not express an opinion thereon.

Opinion

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization's assertion

a. the description fairly presents the [*type or name of*] system that was designed and implemented as of [*date*].
b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of [*date*] ***and subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls as of*** **[date]**.

Restricted Use

This report is intended solely for the information and use of management of XYZ Service Organization, user entities of XYZ Service Organization's [*type or name of*] system as of

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[*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than the specified parties.

[*Service auditor's signature*]

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

[*Date of the service auditor's report*]

[Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE No. 21.]

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Exhibit B — Illustrative Assertions by Management of a Service Organization

.A76

Paragraph .10*b*(vi) indicates that one of the preconditions for a service auditor to accept or continue an engagement is that management acknowledge and accept responsibility for providing a written assertion that accompanies management's description of the service organization's system. Paragraph .A18 indicates that the service organization has the option of attaching the assertion to the description of the service organization's system or including it in the description and clearly segregating the assertion from the description, for example, through the use of headings. Segregating the assertion from the description clarifies that the assertion is not part of the description.

The following illustrative management assertions contain text in boldface italics that would be added to management's assertion if the situation described in the text is applicable. These illustrative assertions are for guidance only and are not intended to be exhaustive or applicable to all situations.

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Example 1: Assertion by Management of a Service Organization for a Type 2 Report

XYZ Service Organization's Assertion

We have prepared the description of XYZ Service Organization's [*type or name of*] system entitled, "XYZ Service Organization's Description of Its [*type or name of*] System," for processing user entities' transactions [*or identification of the function performed by the system*] throughout the period [*date*] to [*date*] (description) for user entities of the system during some or all of the period [*date*] to [*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, ***including information about controls implemented by subservice organizations and user entities of the system themselves,*** when assessing the risks of material misstatement of user entities' financial statements.

[*A statement such as the following is added to the assertion when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.***]**

XYZ Service Organization uses a subservice organization to* [identify the function or service provided by the subservice organization]. *The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls at the service organization. The description does not extend to controls of the subservice organization.

[*A statement such as the following is added to the service auditor's report when complementary user entity controls are required to meet the control objectives.***]**

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that

a. the description fairly presents the [*type or name of*] system made available to user entities of the system during some or all of the period [*date*] to [*date*] for processing their transactions [*or identification of the function performed by the system*] as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description

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i. presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable,

1. the types of services provided, including, as appropriate, the classes of transactions processed.

2. the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.

3. the information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.

4. how the system captures and addresses significant events and conditions other than transactions.

5. the process used to prepare reports and other information for user entities.

6. services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.

7. the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.

8. other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.

ii. includes relevant details of changes to the service organization's system during the period covered by the description.

iii. does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.

b. the controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period [*date*] to [*date*]

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to achieve those control objectives ***if subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls throughout the period*** **[date]** ***to*** **[date]**. The criteria we used in making this assertion were that

i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization.

ii. the controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

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Example 2: Assertion by Management of a Service Organization for a Type 1 Report

XYZ Service Organization's Assertion

We have prepared the description of XYZ Service Organization's [*type or name of*] system entitled, "XYZ Service Organization's Description of Its [*type or name of*] System," for processing user entities' transactions [*or identification of the function performed by the system*] as of [*date*] (description) for user entities of the system as of [*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls ***implemented by subservice organizations and user entities themselves,*** when obtaining an understanding of user entities' information and communication systems relevant to financial reporting.

[*A statement such as the following is added to the assertion when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.*]

XYZ Service Organization uses a subservice organization to **[identify the function or service provided by the subservice organization].** ***The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization(s). The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls at the service organization. The description does not extend to controls of the subservice organization.***

[*A statement such as the following is added to the service auditor's report when complementary user entity controls are required to meet the control objectives.*]

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that

a. the description fairly presents the [*type or name of*] system made available to user entities of the system as of [*date*] for processing their transactions [*or identification of the function performed by the system*] as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description

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i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, if applicable

1. the types of services provided, including, as appropriate, the classes of transactions processed.
2. the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.
3. the information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
4. how the system captures and addresses significant events and conditions other than transactions.
5. the process used to prepare reports and other information for user entities.
6. services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.
7. the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.
8. other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.

ii. does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.

b. the controls related to the control objectives stated in the description were suitably designed as of [*date*] to achieve those control objectives ***if subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls as of*** **[date]**. The criteria we used in making this assertion were that

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i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization.

ii. the controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

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AT-C Section 395

[Designated for AT Section 701, Management's Discussion and Analysis][a]

Note
SSAE No. 18 does not supersede chapter 7, "Management's Discussion and Analysis," of SSAE No. 10, *Attestation Standards: Revision and Recodification*, which is currently codified as AT section 701.

The Auditing Standards Board (ASB) has not clarified AT section 701 because practitioners rarely perform attest engagements to report on management's discussion and analysis prepared pursuant to the rules and regulations adopted by the U.S. Securities and Exchange Commission. Therefore, the ASB decided that it would retain AT section 701 in its current unclarified format as section 395 until further notice.

AT Section 701 — Management's Discussion and Analysis

Source: SSAE No. 10.

Effective when management's discussion and analysis is for a period ending on or after June 1, 2001. Earlier application is permitted.

General

.01 This section sets forth attestation standards and provides guidance to a practitioner concerning the performance of an attest engagement[1] with respect to management's discussion and analysis (MD&A) prepared pursuant to the rules and regulations adopted by the Securities and Exchange Commission (SEC), which are presented in annual reports to shareholders and in other documents.[2]

[a]This section contains an "AT-C" identifier, instead of an "AT" identifier, to avoid confusion with references to existing "AT" sections, which remain effective through April 2017.

[1]Paragraph .01 of section 101, *Attest Engagements*, defines an attest engagement as one in which a practitioner "is engaged to issue or does issue an examination, a review, or an agreed-upon procedures report on subject matter, or an assertion about the subject matter (hereafter referred to as the *assertion*), that is the responsibility of another party."

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Applicability

.02 This section is applicable to the following levels of service when a practitioner is engaged by (*a*) a public[3] entity that prepares MD&A in accordance with the rules and regulations adopted by the SEC (see paragraph .04) or (*b*) a nonpublic entity that prepares an MD&A presentation and whose management provides a written assertion that the presentation has been prepared using the rules and regulations adopted by the SEC:[4]

- An examination of an MD&A presentation
- A review of an MD&A presentation for an annual period, an interim period, or a combined annual and interim period[5]

A practitioner[6] engaged to examine or review MD&A and report thereon should comply with the general, fieldwork, and reporting standards established in section 50, *SSAE Hierarchy*, and the specific standards set forth in this section. A practitioner engaged to perform agreed-upon procedures on MD&A should follow the guidance set forth in section 201, Agreed-Upon Procedures Engagements.[7] [Revised, November 2006, to reflect conforming changes necessary due to the issuance of SSAE No. 14.]

.03 This section does not—

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[2]Because this section provides guidance specific to attest engagements concerning MD&A presentations, a practitioner should not perform a compliance attestation engagement under section 601, *Compliance Attestation*, with respect to an MD&A presentation.

[3]For purposes of this section, a public entity is any entity (*a*) whose securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter (OTC) market, including securities quoted only locally or regionally, (*b*) that makes a filing with a regulatory agency in preparation for the sale of any class of its securities in a public market, or (*c*) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (*a*) or (*b*).

[4]Such assertion may be made by any of the following:

a. Including a statement in the body of the MD&A presentation that it has been prepared using the rules and regulations adopted by the SEC.

b. Providing a separate written assertion to accompany the MD&A presentation.

c. Providing a written assertion in a representation letter to the practitioner.

[5]As discussed in paragraph .85*k*, a review report is not intended to be filed with the SEC as a report under the Securities Act of 1933 (the 1993 Act) or the Securities Exchange Act of 1934 (the 1934 Act) and, accordingly, the review report should contain a statement of restrictions on the use of the report to specified parties if the entity is (*a*) a public entity or (*b*) a nonpublic entity that is making or has made an offering of securities and it appears that the securities may subsequently be registered or subject to a filing with the SEC or other regulatory agency.

[6]In this section, the terms *practitioner* or *accountant* generally refer to a person engaged to perform an attest service on MD&A. The term *accountant* may also refer to a person engaged to review financial statements. The term *auditor* refers to a person engaged to audit financial statements. As this section includes certain requirements for the practitioner to have audited or performed a review of financial statements in accordance with AU-C section 930, *Interim Financial Information*, the terms *auditor, practitioner*, or *accountant* may refer, in this section, to the same person. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[7]Practitioners should follow guidance in AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties*, when requested to perform agreed-upon procedures on MD&A and report thereon in a letter for an

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a. Change the auditor's responsibility in an audit of financial statements performed in accordance with generally accepted auditing standards (GAAS).

b. Apply to situations in which the practitioner is requested to provide management with recommendations to improve the MD&A rather than to provide assurance. A practitioner engaged to provide such nonattest services should refer to CS section 100, *Consulting Services: Definitions and Standards*.

c. Apply to situations in which the practitioner is engaged to provide attest services with respect to an MD&A presentation that is prepared based on criteria other than the rules and regulations adopted by the SEC. A practitioner engaged to perform an examination or a review based upon such criteria should refer to the guidance in section 101, or to section 201 if engaged to perform an agreed-upon procedures engagement.[8]

.04 The requirements for MD&A have changed periodically since the first requirement was adopted by the SEC in 1974. As of the date of issuance of this SSAE, the rules and regulations for MD&A adopted by the SEC are found in Item 303 of Regulation S-K, as interpreted by Financial Reporting Release (FRR) No. 36, *Management's Discussion and Analysis of Financial Condition and Results of Operations; Certain Investment Company Disclosures* (Chapter 5 of the "Codification of Financial Reporting Policies"); Item 303 of Regulation S-B for small business issuers; and Item 9 of Form 20-F for Foreign Private Issuers.[9] Item 303 of Regulation S-K, as interpreted by FRR No. 36, Item 303 of Regulation S-B for small business issuers, and Item 9 of Form 20-F for Foreign Private Issuers, provide the relevant rules and regulations adopted by the SEC that meet the definition of suitable criteria in paragraphs .23–.32 of section 101. The practitioner should consider whether the SEC has adopted additional rules and regulations with respect to MD&A subsequent to the issuance of this section.

Conditions for Engagement Performance

Examination

.05 The practitioner's objective in an engagement to examine MD&A is to express an opinion on the MD&A presentation taken as a whole by reporting whether—

underwriter. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[8]The guidance in this section may be helpful when performing an engagement to provide attest services with respect to an MD&A presentation that is based on criteria other than the rules and regulations adopted by the SEC. Such other criteria would have to be suitable and available as discussed in paragraphs .23–.33 of section 101.

[9]The SEC staff from time to time issues guidance related to the SEC's adopted requirements; for example, Staff Accounting Bulletins (SABs), Staff Legal Bulletins, and speeches. Although such guidance may provide additional information with respect to the adopted requirements for MD&A, the practitioner should not be expected to attest to assertions on compliance with such guidance. The practitioner may find it helpful to also familiarize himself or herself with material contained on the SEC's website www.sec.gov that provides further information with respect to the SEC's views concerning MD&A disclosures.

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a. The presentation includes, in all material respects, the required elements of the rules and regulations adopted by the SEC.[10]

b. The historical financial amounts have been accurately derived, in all material respects, from the entity's financial statements.[11]

c. The underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained therein.[12]

.06 A practitioner may accept an engagement to examine MD&A of a public or nonpublic entity, provided the practitioner audits, in accordance with GAAS,[13] the financial statements for at least the latest period to which the MD&A presentation relates and the financial statements for the other periods covered by the MD&A presentation have been audited by the practitioner or a predecessor auditor. A base knowledge of the entity and its operations gained through an audit of the historical financial statements and knowledge about the industry and the environment is necessary to provide the practitioner with sufficient knowledge to properly evaluate the results of the procedures performed in connection with the examination.

.07 If a predecessor auditor has audited the financial statements for a prior period covered by the MD&A presentation, the practitioner (the successor auditor) should also consider whether, under the particular circumstances, he or she can acquire sufficient knowledge of the business and of the entity's accounting and financial reporting practices for such period so that he or she would be able to—

a. Identify types of potential material misstatements in MD&A and consider the likelihood of their occurrence.

b. Perform the procedures that will provide the practitioner with a basis for expressing an opinion as to whether the MD&A presentation includes, in all material respects, the required elements of the rules and regulations adopted by the SEC.

c. Perform the procedures that will provide the practitioner with a basis for expressing an opinion on the MD&A presentation with respect to whether the historical

[10]The required elements as of the date of issuance of this SSAE include a discussion of the entity's financial condition, changes in financial condition, and results of operations, including a discussion of liquidity and capital resources.

[11]Whether historical financial amounts are accurately derived from the financial statements includes both amounts that are derived from the face of the financial statements (which includes the notes to the financial statements) and financial statement schedules and those that are derived from underlying records supporting elements, accounts, or items included in the financial statements.

[12]Whether the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained therein requires consideration of management's interpretation of the disclosure criteria for MD&A, management's determinations as to the relevancy of information to be included, and estimates and assumptions made by management that affect reported information.

[13]Restrictions on the scope of the audit of the financial statements will not necessarily preclude the practitioner from accepting an engagement to examine MD&A. Note that the SEC will generally not accept an auditor's report that is modified for a scope limitation. The practitioner should consider the nature and magnitude of the scope limitation and the form of the auditor's report in assessing whether an examination of MD&A could be performed.

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financial amounts have been accurately derived, in all material respects, from the entity's financial statements for such period.

d. Perform the procedures that will provide the practitioner with a basis for expressing an opinion as to whether the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained therein.

Refer to paragraphs .99–.101 for guidance regarding the review of the predecessor auditor's working papers.

Review

.08 The objective of a review of MD&A is to report whether any information came to the practitioner's attention to cause him or her to believe that—

a. The MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC.

b. The historical financial amounts included therein have not been accurately derived, in all material respects, from the entity's financial statements.

c. The underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein.

A review consists principally of applying analytical procedures and making inquiries of persons responsible for financial, accounting, and operational matters. A review ordinarily does not contemplate (*a*) tests of accounting records through inspection, observation, or confirmation, (*b*) obtaining corroborating evidential matter in response to inquiries, or (*c*) the application of certain other procedures ordinarily performed during an examination of MD&A. A review may bring to the practitioner's attention significant matters affecting the MD&A, but it does not provide assurance that the practitioner will become aware of all significant matters that would be disclosed in an examination.

.09 A practitioner may accept an engagement to review the MD&A presentation of a public entity for an annual period provided the practitioner has audited, in accordance with GAAS, the financial statements for at least the latest annual period to which the MD&A presentation relates and the financial statements for the other periods covered by the MD&A presentation have been audited by the practitioner or a predecessor auditor.[14] A base knowledge of the entity and its operations gained through an audit of the historical financial statements and knowledge about the industry and the environment is necessary to provide the practitioner with sufficient knowledge to properly evaluate the results of the procedures performed in connection with the review.

[14]As discussed in paragraph .85*k*, a review report is not intended to be filed with the SEC as a report under the 1933 Act or the 1934 Act and, accordingly, the review report should contain a statement of restrictions on the use of the report to specified parties if the entity is (*a*) a public entity or (*b*) a nonpublic entity that is making or has made an offering of securities and it appears that the securities may subsequently be registered or subject to a filing with the SEC or other regulatory agency.

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.10 If a predecessor auditor has audited the financial statements for a prior period covered by the MD&A presentation, the practitioner should also consider whether, under the particular circumstances, he or she can acquire sufficient knowledge of the business and of the entity's accounting and financial reporting practices for such period so he or she would be able to—

a. Identify types of potential material misstatements in the MD&A and consider the likelihood of their occurrence.

b. Perform the procedures that will provide the practitioner with a basis for reporting whether any information has come to the practitioner's attention to cause him or her to believe any of the following.

    1. The MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC.

    2. The historical financial amounts included therein have not been accurately derived, in all material respects, from the entity's financial statements for such period.

    3. The underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein.

.11 A practitioner may accept an engagement to review the MD&A presentation of a public entity for an interim period provided that both of the following conditions are met.

a. The practitioner performs either (*1*) a review of the historical financial statements for the related comparative interim periods and issues a review report thereon in accordance with AU-C section 930, *Interim Financial Information*, or (*2*) an audit of the interim financial statements.

b. The MD&A presentation for the most recent fiscal year has been or will be examined or reviewed by either the practitioner or a predecessor auditor.

[Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.12 If a predecessor auditor examined or reviewed the MD&A presentation of a public entity for the most recent fiscal year, the practitioner should not accept an engagement to review the MD&A presentation for an interim period unless he or she can acquire sufficient knowledge of the business and of the entity's accounting and financial reporting practices for the interim period to perform the procedures described in paragraph .10.

.13 If a nonpublic entity chooses to prepare MD&A, the practitioner should not accept an engagement to perform a review of such MD&A for an annual period under this section unless both of the following conditions are met.

a. The annual financial statements for the periods covered by the MD&A presentation have been or will be audited and the practitioner has audited or will audit the most

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recent year (refer to paragraph .07 if the financial statements for prior years were audited by a predecessor auditor).

b. Management will provide a written assertion that the presentation has been prepared using the rules and regulations adopted by the SEC as the criteria. (See paragraph .02.)

.14 A practitioner may accept an engagement to review the MD&A presentation of a nonpublic entity for an interim period provided that all of the following conditions are met.

a. The practitioner performs one of the following:
   1. A review of the historical financial statements for the related interim periods under the Statements on Standards for Accounting and Review Services (SSARSs) and issues a review report thereon
   2. A review of the condensed interim financial information for the related interim periods under AU-C section 930 and issues a review report thereon, and such interim financial information is accompanied by complete annual financial statements for the most recent fiscal year that have been audited
   3. An audit of the interim financial statements

b. The MD&A presentation for the most recent fiscal year has been or will be examined or reviewed.

c. Management will provide a written assertion stating that the presentation has been prepared using the rules and regulations adopted by the SEC as the criteria. (See paragraph .02.)

[Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Engagement Acceptance Considerations

.15 In determining whether to accept an engagement, the practitioner should consider whether management (and others engaged by management to assist them, such as legal counsel) has the appropriate knowledge of the rules and regulations adopted by the SEC to prepare MD&A.

Responsibilities of Management

.16 Management is responsible for the preparation of the entity's MD&A pursuant to the rules and regulations adopted by the SEC. The preparation of MD&A in conformity with the rules and regulations adopted by the SEC requires management to interpret the criteria, accurately derive the historical amounts from the entity's books and records, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information.

.17 An entity should not name the practitioner in a client-prepared document as having examined or reviewed MD&A unless the MD&A presentation and related practitioner's

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report and the related financial statements and auditor's (or accountant's review) report are included in the document (or, in the case of a public entity, incorporated by reference to such information filed with a regulatory agency). If such a statement is made in a document that does not include (or incorporate by reference) such information, the practitioner should request that neither his or her name nor reference to the practitioner be made with respect to the MD&A information, or that such document be revised to include the required presentations and reports. If the client does not comply, the practitioner should advise the client that he or she does not consent to either the use of his or her name or the reference to the practitioner, and he or she should consider what other actions might be appropriate.[15]

Obtaining an Understanding of the SEC Rules and Regulations and Management's Methodology for the Preparation of MD&A

.18 The practitioner should obtain an understanding of the rules and regulations adopted by the SEC for MD&A. (Refer to paragraph .04.)

.19 The practitioner should inquire of management regarding the method of preparing MD&A, including matters such as the sources of the information, how the information is gathered, how management evaluates the types of factors having a material effect on financial condition (including liquidity and capital resources), results of operations, and cash flows, and whether there have been any changes in the procedures from the prior year.

Timing of Procedures

.20 Proper planning by the practitioner contributes to the effectiveness of the attest procedures in an examination or a review of MD&A. Performing some of the work in conjunction with the audit of the historical financial statements or the review of interim financial statements may permit the work to be carried out in a more efficient manner and to be completed at an earlier date. When performing an examination or a review of MD&A, the practitioner may consider the results of tests of controls, analytical procedures,[16] and substantive tests performed in a financial statement audit or analytical procedures and inquiries made in a review of financial statements or interim financial information.

Materiality

.21 The practitioner should consider the concept of materiality in planning and performing the engagement. The objective of an examination or a review is to report on the MD&A

[15]In considering what other actions, if any, may be appropriate in these circumstances, the practitioner may wish to consult his or her legal counsel.

[16]AU-C section 520, *Analytical Procedures*, defines analytical procedures as "evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount." In applying analytical procedures to MD&A, the practitioner develops expectations of matters that would be discussed in MD&A by identifying and using plausible relationships that are reasonably expected to exist based on the practitioner's understanding of the client and of the industry in which the client operates, and the knowledge of relationships among the various financial elements gained through the audit of financial statements or review of interim financial information. Refer to AU-C section 520 for further discussion of analytical procedures. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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presentation taken as a whole and not on the individual amounts and disclosures contained therein. In the context of an MD&A presentation, the concept of materiality encompasses both material omissions (for example, the omission of trends, events, and uncertainties that are currently known to management that are reasonably likely to have material effects on the entity's financial condition, results of operations, liquidity, or capital resources) and material misstatements in MD&A, both of which are referred to herein as a misstatement. Assessing the significance of a misstatement of some items in MD&A may be more dependent upon qualitative than quantitative considerations. Qualitative aspects of materiality relate to the relevance and reliability of the information presented (for example, qualitative aspects of materiality are considered in assessing whether the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures in the MD&A). Furthermore, quantitative information is often more meaningful when accompanied by qualitative disclosures. For example, quantitative information about market risk-sensitive instruments is more meaningful when accompanied by qualitative information about an entity's market risk exposures and how those exposures are managed. Materiality is also a concept that is judged in light of the expected range of reasonableness of the information; therefore, users should not expect prospective information (information about events that have not yet occurred) to be as precise as historical information.

.22 In expressing an opinion, or providing the limited assurance of a review engagement, on the presentation, the practitioner should consider the omission or misstatement of an individual assertion (see paragraph .34) to be material if the magnitude of the omission or misstatement—individually or when aggregated with other omissions or misstatements—is such that a reasonable person using the MD&A presentation would be influenced by the inclusion or correction of the individual assertion. The relative rather than absolute size of an omission or misstatement may determine whether it is material in a given situation.

Inclusion of Pro Forma Financial Information

.23 Management may include pro forma financial information with respect to a business combination or other transactions in MD&A. The practitioner should consider the guidance in paragraph .10 of section 401, *Reporting on Pro Forma Financial Information*, when performing procedures with respect to such information, even if management indicates in MD&A that certain information has been derived from unaudited financial statements. For example, in an examination of MD&A, the practitioner's procedures would ordinarily include obtaining an understanding of the underlying transaction or event, discussing with management their assumptions, obtaining sufficient evidence in support of the adjustments, and other procedures for the purpose of expressing an opinion on the MD&A presentation taken as a whole and not for expressing an opinion on (or providing the limited assurance of a review of) the pro forma financial information included therein under section 401.

Inclusion of External Information

.24 An entity may also include in its MD&A information external to the entity, such as the rating of its debt by certain rating agencies or comparisons with statistics from a trade association. Such external information should also be subjected to the practitioner's examination or review procedures. For example, in an examination, the practitioner might

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compare information concerning the statistics of a trade organization to a published source; however, the practitioner would not be expected to test the underlying support for the trade association's calculation of such statistics.

Inclusion of Forward-Looking Information

.25 An entity may include certain forward-looking disclosures in the MD&A presentation, including cautionary language concerning the achievability of the matters disclosed. Although any forward-looking disclosures that are included in the MD&A presentation should be subjected to the practitioner's examination or review, such information is subjected to testing only for the purpose of expressing an opinion that the underlying information, determinations, estimates, and assumptions provide a reasonable basis for the disclosures contained therein or providing the limited assurance of a review on the MD&A presentation taken as a whole. The practitioner may consider the guidance in section 301, *Financial Forecasts and Projections*, when performing procedures with respect to forward-looking information. The practitioner may also consider whether meaningful cautionary language has been included with the forward-looking information.

.26 Section 27A of the Securities Act of 1933 (the 1933 Act) and Section 21E of the Securities Exchange Act of 1934 (the 1934 Act) provide a safe harbor from liability in private litigation with respect to forward-looking statements that include or make reference to meaningful cautionary language. However, such sections also include exclusions from safe harbor protection in certain situations. Whether an entity's forward-looking statements and the practitioner's report thereon qualify for safe harbor protection is a legal matter.

Inclusion of Voluntary Information

.27 An entity may voluntarily include other information in the MD&A presentation that is not required by the rules and regulations adopted by the SEC for MD&A. When the entity includes in MD&A additional information required by other rules and regulations of the SEC (for example, Item 305 of Regulation S-K, *Quantitative and Qualitative Disclosures About Market Risk*), the practitioner should also consider such other rules and regulations in subjecting such information to his or her examination or review procedures.[17]

Examination Engagement

.28 To express an opinion about whether (*a*) the presentation includes, in all material respects, the required elements of the rules and regulations adopted by the SEC, (*b*) the historical financial amounts have been accurately derived, in all material respects, from the entity's financial statements, and (*c*) the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained therein, the practitioner seeks to obtain reasonable assurance by accumulating sufficient evidence in support of the disclosures and assumptions, thereby restricting attestation risk to an appropriately low level.

[17]To the extent that the voluntary information includes forward-looking information, refer to paragraphs .25–.26.

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Attestation Risk

.29 In an engagement to examine MD&A, the practitioner plans and performs the examination to obtain reasonable assurance of detecting both intentional and unintentional misstatements that are material to the MD&A presentation taken as a whole. Absolute assurance is not attainable because of factors such as the need for judgment regarding the areas to be tested and the nature, timing, and extent of tests to be performed; the concept of selective testing of the data; and the inherent limitations of the controls applicable to the preparation of MD&A. The practitioner exercises professional judgment in assessing the significant determinations made by management as to the relevancy of information to be included, and the estimates and assumptions that affect reported information. As a result of these factors, in the great majority of cases, the practitioner has to rely on evidence that is persuasive rather than convincing. Also, procedures may be ineffective for detecting an intentional misstatement that is concealed through collusion among client personnel and third parties or among management or employees of the client. Therefore, the subsequent discovery that a material misstatement exists in the MD&A does not, in and of itself, evidence (*a*) failure to obtain reasonable assurance; (*b*) inadequate planning, performance, or judgment on the part of the practitioner; (*c*) the absence of due professional care; or (*d*) a failure to comply with this section.

.30 Factors to be considered by the practitioner in planning an examination of MD&A include (*a*) the anticipated level of attestation risk related to assertions embodied in the MD&A presentation, (*b*) preliminary judgments about materiality for attest purposes, (*c*) the items within the MD&A presentation that are likely to require revision or adjustment, and (*d*) conditions that may require extension or modification of attest procedures. For purposes of an engagement to examine MD&A, the components of attestation risk are defined as follows.

a. *Inherent risk* is the susceptibility of an assertion within MD&A to a material misstatement, assuming that there are no related controls. (See paragraphs .34–.38.)

b. *Control risk* is the risk that a material misstatement that could occur in an assertion within MD&A will not be prevented or detected on a timely basis by the entity's controls; some control risk will always exist because of the inherent limitations of any internal control.

c. *Detection risk* is the risk that the practitioner will not detect a material misstatement that exists in an assertion within MD&A.

Inherent Risk

.31 The level of inherent risk varies with the nature of the assertion. For example, the inherent risk concerning financial information included in the MD&A presentation may be low, whereas the inherent risk concerning the completeness of the disclosure of the entity's risks or liquidity may be high.

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Control Risk

.32 The practitioner should assess control risk as discussed in paragraphs .53–.57. Assessing control risk contributes to the practitioner's evaluation of the risk that material misstatement in the MD&A exists. In the process of assessing control risk (together with assessing inherent risk), the practitioner may obtain evidential matter about the risk that such misstatement may exist. The practitioner uses this evidential matter as part of the reasonable basis for his or her opinion on the MD&A presentation taken as a whole.

Detection Risk

.33 In determining an acceptable level of detection risk, the practitioner assesses inherent risk and control risk, and considers the extent to which he or she seeks to restrict attestation risk. As assessed inherent risk or control risk decreases, the acceptable level of detection risk increases. Accordingly, the practitioner may alter the nature, timing, and extent of tests performed based on the assessments of inherent risk and control risk.

Nature of Assertions

.34 Assertions are representations by management that are embodied in the MD&A presentation. They can be either explicit or implicit and can be classified according to the following broad categories:

a. Occurrence

b. Consistency with the financial statements

c. Completeness

d. Presentation and disclosure

.35 Assertions about occurrence address whether reported transactions or events have occurred during a given period. Assertions about consistency with the financial statements address whether—

a. Reported transactions, events, and explanations are consistent with the financial statements.

b. Historical financial amounts have been accurately derived from the financial statements and related records.

c. Nonfinancial data have been accurately derived from related records.

.36 Assertions about completeness address whether descriptions of transactions and events necessary to obtain an understanding of the entity's financial condition (including liquidity and capital resources), changes in financial condition, results of operations, and material commitments for capital resources are included in MD&A; and whether known events, transactions, conditions, trends, demands, commitments, or uncertainties that will result in or are reasonably likely to result in material changes to these items are appropriately described in the MD&A presentation.

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.37 For example, if management asserts that the reason for an increase in revenues is a price increase in the current year, they are explicitly asserting that both an increase in revenues and a price increase have occurred in the current year, and implicitly asserting that any historical financial amounts included are consistent with the financial statements for such period. They are also implicitly asserting that the explanation for the increase in revenues is complete; that there are no other significant reasons for the increase in revenues.

.38 Assertions about presentation and disclosure address whether information included in the MD&A presentation is properly classified, described, and disclosed. For example, management asserts that any forward-looking information included in MD&A is properly classified as being based on management's present assessment and includes an appropriate description of the expected results. To further disclose the nature of such information, management may also include a statement that actual results in the future may differ materially from management's present assessment. (See paragraphs .25–.26.)

.39 The auditor of the underlying financial statements is responsible for designing and performing audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion, as discussed in AU-C section 500, *Audit Evidence*. Although procedures designed to achieve the practitioner's objective of forming an opinion on the MD&A presentation taken as a whole may test certain assertions embodied in the underlying financial statements, the practitioner is not expected to test the underlying financial statement assertions in an examination of MD&A. For example, the practitioner is not expected to test the completeness of revenues or the existence of inventory when testing the assertions in MD&A concerning an increase in revenues or an increase in inventory levels; assurance related to completeness of revenues or for existence of inventory would be obtained as part of the audit. The practitioner is, however, responsible for testing the completeness of the explanation for the increase in revenues or the increase in inventory levels. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Performing an Examination Engagement

.40 The practitioner should exercise (*a*) due professional care in planning, performing, and evaluating the results of his or her examination procedures and (*b*) the proper degree of professional skepticism to obtain reasonable assurance that material misstatements will be detected.

.41 In an examination of MD&A, the practitioner should perform the following.

a. Obtain an understanding of the rules and regulations adopted by the SEC for MD&A and management's method of preparing MD&A. (See paragraphs .18–.19.)

b. Plan the engagement. (See paragraphs .42–.48.)

c. Consider relevant portions of the entity's internal control applicable to the preparation of MD&A. (See paragraphs .49–.58.)

d. Obtain sufficient evidence, including testing completeness. (See paragraphs .59–.64.)

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e. Consider the effect of events subsequent to the balance-sheet date. (See paragraphs .65–.66.)

f. Obtain written representations from management concerning its responsibility for MD&A, completeness of minutes, events subsequent to the balance-sheet date, and other matters about which the practitioner believes written representations are appropriate. (See paragraphs .110–.112.)

g. Form an opinion about whether the MD&A presentation includes, in all material respects, the required elements of the rules and regulations adopted by the SEC, whether the historical financial amounts included therein have been accurately derived, in all material respects, from the entity's financial statements, and whether the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained in the MD&A. (See paragraph .67.)

Planning the Engagement

General Considerations

.42 Planning an engagement to examine MD&A involves developing an overall strategy for the expected scope and performance of the engagement. When developing an overall strategy for the engagement, the practitioner should consider factors such as the following:

- Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes
- Knowledge of the entity's internal control applicable to the preparation of MD&A obtained during the audit of the financial statements and the extent of recent changes, if any
- Matters relating to the entity's business, including its organization, operating characteristics, capital structure, and distribution methods
- The types of relevant information that management reports to external analysts (for example, press releases and presentations to lenders and rating agencies, if any, concerning past and future performance)
- How the entity analyzes actual performance compared to budgets and the types of information provided in documents submitted to the board of directors for purposes of the entity's day-to-day operations and long-range planning
- The extent of management's knowledge of and experience with the rules and regulations adopted by the SEC for MD&A
- If the entity is a nonpublic entity, the intended use of the MD&A presentation
- Preliminary judgments about (*a*) materiality, (*b*) inherent risk at the individual assertion level, and (*c*) factors (for example, matters identified during the audit or

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review of the historical financial statements) relating to significant deficiencies in internal control applicable to the preparation of MD&A (See paragraph .58.)

- The fraud risk factors or other conditions identified during the audit of the most recent annual financial statements and the practitioner's response to such risk factors
- The type and extent of evidential matter supporting management's assertions and disclosures in the MD&A presentation
- The nature of complex or subjective matters potentially material to the MD&A presentation that may require special skill or knowledge and whether such matters may require using the work of a specialist to obtain sufficient evidential matter (See paragraph .47.)
- The presence of an internal audit function (See paragraph .48.)

.43 In planning an engagement when MD&A has not previously been examined, the practitioner should consider the degree to which the entity has information available for such prior periods and the continuity of the entity's personnel and their ability to respond to inquiries with respect to such periods. In addition, the practitioner should obtain an understanding of the entity's internal control in prior years applicable to the preparation of MD&A.

Consideration of Audit Results

.44 The practitioner should also consider the results of the audits of the financial statements for the periods covered by the MD&A presentation on the examination engagement, such as matters relating to the following:

- The availability and condition of the entity's records
- The nature and magnitude of audit adjustments
- Misstatements[18] that were not corrected in the financial statements that may affect MD&A disclosures (for example, misclassifications between financial statement line items)

[Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.45 The practitioner should also consider the possible impact on the scope of the examination engagement of any modification or contemplated modification of the auditor's report, including matters addressed in explanatory language. For example, if the auditor has modified the auditor's report to include a going-concern uncertainty explanatory paragraph, the practitioner would consider such a matter in assessing attestation risk.

[18]Refer to paragraphs .05–.06 and .11–.13 of AU-C section 320, *Materiality in Planning and Performing an Audit*, and paragraph .10 of AU-C section 450, *Evaluation of Misstatements Identified During the Audit*. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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Multiple Components

.46 In an engagement to examine MD&A, if the entity has operations in several components (for example, locations, branches, subsidiaries, or programs), the practitioner examining the group's MD&A should determine the components to which procedures should be applied. In making such a determination and in selecting the components to be tested, the practitioner examining the group's MD&A should consider factors such as the following:

- The relative importance of each component to the applicable disclosure in the group's MD&A
- The degree of centralization of records
- The effectiveness of controls, particularly those that affect group management's direct control over the exercise of authority delegated to others and its ability to supervise activities at various locations effectively
- The nature and extent of operations conducted at the various components
- The similarity of operations and internal control for different components

The practitioner examining the group's MD&A should consider whether the audit base of the components is consistent with the components that are disclosed in MD&A Accordingly, it may be desirable for the practitioner examining the group's MD&A to coordinate the audit work with the components that will be disclosed. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Using the Work of a Specialist

.47 In some engagements to examine MD&A, the nature of complex or subjective matters potentially material to the MD&A presentation may require specialized skill or knowledge in a particular field other than accounting or auditing. For example, the entity may include information concerning plant production capacity, which would ordinarily be determined by an engineer. In such cases, the practitioner may use the work of a specialist and should consider the relevant guidance in AU-C section 620, *Using the Work of an Auditor's Specialist*. An auditor's specialist may be either an auditor's internal specialist (for example, a partner of the auditor's firm) or an external specialist. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Internal Audit Function

.48 Another factor the practitioner should consider when planning the engagement is whether the entity has an internal audit function and the extent to which internal auditors are involved in directly testing the MD&A presentation, in monitoring the entity's internal control applicable to the preparation of MD&A, or in testing the underlying records supporting disclosures in the MD&A. A practitioner should consider the guidance in AU-C section 610, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements*, when addressing the competence and objectivity of internal auditors; the nature, timing, and extent of work to be performed; and other related matters. [Revised,

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December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Consideration of Internal Control Applicable to the Preparation of MD&A

.49 The practitioner should obtain an understanding of the entity's internal control applicable to the preparation of MD&A sufficient to plan the engagement and to assess control risk. Generally, controls that are relevant to an examination pertain to the entity's objective of preparing MD&A in conformity with the rules and regulations adopted by the SEC, and may include controls within the control environment, risk assessment, information and communication, control activities, and monitoring components.

.50 The controls relating to operations and compliance objectives may be relevant to an examination if they pertain to data the practitioner evaluates or uses in applying examination procedures. For example, controls over the gathering of information, which are different from financial statement controls, and controls relating to nonfinancial data that are included in the MD&A presentation, may be relevant to an examination engagement.

.51 In planning the examination, knowledge of such controls should be used to identify types of potential misstatement (including types of potential material omissions), to consider factors that affect the risk of material misstatement and to design appropriate tests.

.52 A practitioner generally obtains an understanding of the design of the entity's internal control applicable to the preparation of MD&A by making inquiries of appropriate management, supervisory, and staff personnel; by inspection of the entity's documents; and by observation of the entity's relevant activities, including controls over matters discussed, nonfinancial data included, and management evaluation of the reasonableness of information included. The nature and extent of procedures a practitioner performs vary from entity to entity and are influenced by factors such as the entity's complexity, the length of time that the entity has prepared MD&A pursuant to the rules and regulations adopted by the SEC, the practitioner's knowledge of the entity's controls obtained in audits and previous professional engagements, and judgments about materiality.

.53 After obtaining an understanding of the entity's internal control applicable to the preparation of MD&A, the practitioner assesses control risk for the assertions embodied in the MD&A presentation. (Refer to paragraphs .34–.39.) The practitioner may assess control risk at the maximum level (the greatest probability that a material misstatement that could occur in an assertion will not be prevented or detected on a timely basis by an entity's controls) because the practitioner believes controls are unlikely to pertain to an assertion, are unlikely to be effective, or because evaluating their effectiveness would be inefficient. Alternatively, the practitioner may obtain evidential matter about the effectiveness of both the design and operation of a control that supports a lower assessed level of control risk. Such evidential matter may be obtained from tests of controls planned and performed concurrently with obtaining the understanding of the internal control or from procedures performed to obtain the understanding that were not specifically planned as tests of controls.

.54 After obtaining the understanding and assessing control risk, the practitioner may desire to seek a further reduction in the assessed level of control risk for certain assertions.

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In such cases, the practitioner considers whether evidential matter sufficient to support a further reduction is likely to be available and whether performing additional tests of controls to obtain such evidential matter would be efficient.

.55 When seeking to assess control risk below the maximum for controls over financial and nonfinancial data, the practitioner should perform tests of controls to obtain evidence to support the assessed level of control risk. For example, the practitioner may perform tests of controls directed toward the effectiveness of the design or operation of internal control over the accumulation of the number of units sold for a manufacturing company, average interest rates earned and paid for a financial institution, or average net sales per square foot for a retail entity.

.56 The practitioner uses the knowledge provided by the understanding of internal control applicable to the preparation of MD&A and the assessed level of control risk in determining the nature, timing, and extent of substantive tests for the MD&A assertions.

.57 The practitioner should document the understanding of the internal control components obtained to plan the examination and the assessment of control risk. The form and extent of this documentation is influenced by the size and complexity of the entity, as well as the nature of the entity's controls applicable to the preparation of MD&A.

.58 During the course of an engagement to examine MD&A, the practitioner may become aware of control deficiencies in the design or operation of controls applicable to the preparation of MD&A that could adversely affect the entity's ability to prepare MD&A in accordance with the rules and regulations adopted by the SEC. The practitioner should consider the implications of such control deficiencies on his or her ability to rely on management's explanations and on comparisons to summary accounting records. A practitioner's responsibility to communicate these control deficiencies in an examination of MD&A is similar to the auditor's responsibility described in AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit*, and AU-C section 260, *The Auditor's Communication With Those Charged With Governance*. [Revised, March 2006, to reflect conforming changes necessary due to the issuance of SAS No. 112. Revised, January 2010, to reflect conforming changes necessary due to the issuance of SAS No. 115. Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Obtaining Sufficient Evidence

.59 The practitioner should apply procedures to obtain reasonable assurance of detecting material misstatements. In an audit of historical financial statements, the practitioner will have applied audit procedures to some of the information included in the MD&A. However, because the objective of those audit procedures is to have a reasonable basis for expressing an opinion on the financial statements taken as a whole rather than on the MD&A, certain additional examination procedures should be performed as discussed in paragraphs .60–.64. Determining these procedures and evaluating the sufficiency of the evidence obtained are matters of professional judgment.

.60 The practitioner ordinarily should apply the following procedures.

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a. Read the MD&A and compare the content for consistency with the audited financial statements; compare financial amounts to the audited financial statements or related accounting records and analyses; recompute the increases, decreases, and percentages disclosed.

b. Compare nonfinancial amounts to the audited financial statements, if applicable, or to other records. (Refer to paragraphs .62–.64.)

c. Consider whether the explanations in MD&A are consistent with the information obtained during the audit; investigate further those explanations that cannot be substantiated by information in the audit working papers through inquiry (including inquiry of officers and other executives having responsibility for operational areas) and inspection of client records.

d. Examine internally generated documents (for example, variance analyses, sales analyses, wage cost analyses, sales or service pricing sheets, and business plans or programs) and externally generated documents (for example, correspondence, contracts, or loan agreements) in support of the existence, occurrence, or expected occurrence of events, transactions, conditions, trends, demands, commitments, and uncertainties disclosed in the MD&A.

e. Obtain available prospective financial information (for example, budgets; sales forecasts; forecasts of labor, overhead, and materials costs; capital expenditure requests; and financial forecasts and projections) and compare such information to forward-looking MD&A disclosures. Inquire of management as to the procedures used to prepare the prospective financial information. Evaluate whether the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the MD&A disclosures of events, transactions, conditions, trends, demands, commitments, or uncertainties.[19]

f. Consider obtaining available prospective financial information relating to prior periods and comparing actual results with forecasted and projected amounts.

g. Make inquiries of officers and other executives having responsibility for operational areas (such as sales, marketing, and production) and financial and accounting matters, as to their plans and expectations for the future that could affect the entity's liquidity and capital resources.

h. Consider obtaining external information concerning industry trends, inflation, and changing prices and comparing the related MD&A disclosures to such information.

i. Compare the information in MD&A with the rules and regulations adopted by the SEC and consider whether the presentation includes the required elements of such rules and regulations.

j. Read the minutes of meetings to date of the board of directors and other significant committees to identify matters that may affect MD&A; consider whether such matters are appropriately addressed in MD&A.

[19]Refer to paragraph .26 for a discussion concerning the safe harbor rules for forward-looking statements.

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k. Inquire of officers as to the entity's prior experience with the SEC and the extent of comments received upon review of documents by the SEC; read correspondence between the entity and the SEC with respect to such review, if any.

l. Obtain public communications (for example, press releases and quarterly reports) and the related supporting documentation dealing with historical and future results; consider whether MD&A is consistent with such communications.

m. Consider obtaining other types of publicly available information (for example, analyst reports and news articles); compare the MD&A presentation with such information.

Testing Completeness

.61 The practitioner should design procedures to test the presentation for completeness, including tests of the completeness of explanations that relate to historical disclosures as discussed in paragraphs .36–.37. The practitioner should also consider whether the MD&A discloses matters that could significantly impact future financial condition and results of operations of the entity by considering information that he or she obtained through the following:

a. Audit of the financial statements

b. Inquiries of the entity's officers and other executives directed to current events, conditions, economic changes, commitments and uncertainties, within both the entity and its industry

c. Other information obtained through procedures such as those listed in paragraphs .60 and .65–.66

As discussed in paragraph .31, the inherent risk concerning the completeness of disclosures may be high; if it is, the practitioner may extend the procedures (for example, by making additional inquiries of management or by examining additional internally generated documents).

Nonfinancial Data

.62 Management may include nonfinancial data (such as units produced; the number of units sold, locations, or customers; plant utilization; or square footage) in the MD&A. The practitioner should consider whether the definitions used by management for such nonfinancial data are reasonable for the particular disclosure in the MD&A and whether there are suitable criteria (for example, industry standards with respect to square footage for retail operations), as discussed in paragraphs .23–.32 of section 101.

.63 In some situations, the nonfinancial data or the controls over the nonfinancial data may have been tested by the practitioner in conjunction with the financial statement audit; however, the practitioner's consideration of the nature of the procedures to apply to nonfinancial data in an examination of MD&A is based on the concept of materiality with respect to the MD&A presentation. The practitioner should consider whether industry standards exist for the nonfinancial data or whether there are different methods of

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measurement that may be used, and, if such methods could result in significantly different results, whether the method of measurement selected by management is reasonable and consistent between periods covered by the MD&A presentation. For example, the number of customers reported by management could vary depending on whether management defines a customer as a subsidiary or "ship to" location of a company rather than the company itself.

.64 In testing nonfinancial data included in the MD&A, the practitioner may seek to assess control risk below the maximum for controls over such nonfinancial data, as discussed in paragraph .55. The practitioner weighs the increase in effort of the examination associated with the additional tests of controls that is necessary to obtain evidential matter against the resulting decrease in examination effort associated with the reduced substantive tests. For those nonfinancial assertions for which the practitioner performs additional tests of controls, the practitioner determines the assessed level of control risk that the results of those tests will support. This assessed level of control risk is used in determining the appropriate detection risk to accept for those nonfinancial assertions and, accordingly, in determining the nature, timing, and extent of substantive tests for such assertions.

Consideration of the Effect of Events Subsequent to the Balance-Sheet Date

.65 As there is an expectation by the SEC that MD&A considers events through a date at or near the filing date,[20] the practitioner should consider information about events[21] that comes to his or her attention after the end of the period addressed by MD&A and prior to the issuance of his or her report that may have a material effect on the entity's financial condition (including liquidity and capital resources), changes in financial condition, results of operations, and material commitments for capital resources. Events or matters that should be disclosed in MD&A include those that—[22]

- Are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- Are reasonably likely to result in the entity's liquidity increasing or decreasing in any material way.
- Will have a material effect on the entity's capital resources.
- Would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.

The practitioner should consider whether events identified during the examination of the MD&A presentation or the audit of the related financial statements require adjustment to or disclosure in the MD&A presentation. When MD&A will be included or incorporated by

[20]A registration statement under the 1933 Act speaks as of its effective date.

[21]Such events are only referred to as *subsequent events* in relation to an MD&A presentation if they occur after the MD&A presentation has been issued. The annual MD&A presentation ordinarily would not be updated for subsequent events if an MD&A presentation for a subsequent interim period has been issued or the event has been reported through a filing on Form 8-K.

[22]The practitioner should refer to the rules and regulations adopted by the SEC for other examples of events that should be disclosed.

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reference in a 1933 Act document that is filed with the SEC, the practitioner's procedures should extend up to the filing date or as close to it as is reasonable and practicable in the circumstances.[23] If a public entity's MD&A presentation is to be included only in a filing under the 1934 Act (for example, Forms 10-K or 10-KSB), the practitioner's responsibility to consider subsequent events does not extend beyond the date of the report on MD&A. Paragraphs .94–.98 provide guidance when the practitioner is engaged subsequent to the filing of the MD&A presentation.

.66 In an examination of MD&A, the practitioner's fieldwork ordinarily extends beyond the date of the auditor's report on the related financial statements.[24] Accordingly, the practitioner generally should—

a. Read available minutes of meetings of stockholders, the board of directors, and other appropriate committees; as to meetings for which minutes are not available, inquire about matters dealt with at such meetings.

b. Read the latest available interim financial statements for periods subsequent to the date of the auditor's report, compare them with the financial statements for the periods covered by the MD&A, and inquire of and discuss with officers and other executives having responsibility for operational, financial, and accounting matters (limited where appropriate to major locations) matters such as the following:

   - Whether interim financial statements have been prepared on the same basis as the audited financial statements
   - Whether there were any significant changes in the entity's operations, liquidity, or capital resources in the subsequent period
   - The current status of items in the financial statements for which the MD&A has been prepared that were accounted for on the basis of tentative, preliminary, or inconclusive data
   - Whether any unusual adjustments were made during the period from the balance-sheet date to the date of inquiry

c. Make inquiries of members of senior management as to the current status of matters concerning litigation, claims, and assessments identified during the audit of the financial statements and of any new matters or unfavorable developments. Consider obtaining updated legal letters from legal counsel.[25]

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[23]Additionally, if the practitioner's report on MD&A is included or incorporated by reference in a 1933 Act document, the practitioner should extend his or her procedures with respect to subsequent events from the date of his or her report on MD&A up to the effective date or as close thereto as is reasonable and practicable in the circumstances.

[24]Undertaking an engagement to examine MD&A does not extend the auditor's responsibility to update the subsequent events review procedures for the financial statements beyond the date of the auditor's report. However, see AU-C section 560, *Events and Subsequently Discovered Facts*. Also, see AU-C section 925, *Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933*, as to an auditor's responsibility when his or her report is included in a registration statement filed under the 1933 Act. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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d. Consider whether there have been any changes in economic conditions or in the industry that could have a significant effect on the entity.

e. Obtain written representations from appropriate officials as to whether any events occurred subsequent to the latest balance-sheet date that would require disclosure in the MD&A. (See paragraphs .110–.112.)

f. Make such additional inquiries or perform such other procedures as considered necessary and appropriate to address questions that arise in carrying out the foregoing procedures, inquiries, and discussions.

Forming an Opinion

.67 The practitioner should consider the concept of materiality discussed in paragraphs .21–.22, and the impact of any modification of the auditor's report on the historical financial statements in forming an opinion on the examination of MD&A, including the practitioner's ability to evaluate the results of inquiries and other procedures.

Reporting

.68 In order for the practitioner to issue a report on an examination of MD&A, the financial statements for the periods covered by the MD&A presentation and the related auditor's report(s) should accompany the MD&A presentation (or, with respect to a public entity, be incorporated in the document containing the MD&A by reference to information filed with a regulatory agency). In addition, if the entity is a nonpublic entity, one of the following conditions should be met.

a. A statement should be included in the body of the MD&A presentation that it has been prepared using the rules and regulations adopted by the SEC.

b. A separate written assertion should accompany the MD&A presentation or such assertion should be included in a representation letter obtained from the entity.

.69 The practitioner's report on an examination of MD&A should include the following:

a. A title that includes the word *independent*

b. An identification of the MD&A presentation, including the period covered

c. A statement that management is responsible for the preparation of the MD&A pursuant to the rules and regulations adopted by the SEC, and a statement that the practitioner's responsibility is to express an opinion on the presentation based on his or her examination

[25]See paragraphs .16–.24 of AU-C section 501, *Audit Evidence—Specific Considerations for Selected Items*, for guidance concerning obtaining legal letters. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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d. A reference to the auditor's report on the related financial statements, and if the report was other than a standard report, the substantive reasons therefor

e. A statement that the examination was conducted in accordance with attestation standards established by the AICPA and a description of the scope of an examination of MD&A

f. A statement that the practitioner believes the examination provides a reasonable basis for his or her opinion

g. A paragraph stating that—

   1. The preparation of MD&A requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information

   2. Actual results in the future may differ materially from management's present assessment of information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties

h. If the entity is a nonpublic entity, a statement that, although the entity is not subject to the rules and regulations of the SEC, the MD&A presentation is intended to be a presentation in accordance with the rules and regulations adopted by the SEC

i. The practitioner's opinion on whether—

   1. The presentation includes, in all material respects, the required elements of the rules and regulations adopted by the SEC

   2. The historical financial amounts have been accurately derived, in all material respects, from the entity's financial statements

   3. The underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained therein

j. The manual or printed signature of the practitioner's firm

k. The date of the examination report

Appendix A [paragraph .114], "Examination Reports," includes a standard examination report. (See Example 1.)

Dating

.70 The practitioner's report on the examination of MD&A should be dated as of the completion of the practitioner's examination procedures. That date should not precede the date of the auditor's report on the latest historical financial statements covered by the MD&A.

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Report Modifications

.71 The practitioner should modify the standard report described in paragraph .69, if any of the following conditions exist.

- The presentation excludes a material required element under the rules and regulations adopted by the SEC. (See paragraph .72.)
- The historical financial amounts have not been accurately derived, in all material respects, from the entity's financial statements. (See paragraph .72.)
- The underlying information, determinations, estimates, and assumptions used by management do not provide the entity with a reasonable basis for the disclosure in the MD&A. (See paragraph .72.)
- There is a restriction on the scope of the engagement. (See paragraph .73.)
- The practitioner decides to refer to the report of another practitioner as the basis in part for his or her report. (See paragraph .74.)
- The practitioner is engaged to examine the MD&A presentation after it has been filed with the SEC or other regulatory agency. (See paragraphs .94–.98.)

.72 The practitioner should express a qualified or an adverse opinion if (*a*) the MD&A presentation excludes a material required element, (*b*) historical financial amounts have not been accurately derived in all material respects, or (*c*) the underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures; for example, if there is a lack of consistency between management's method of measuring nonfinancial data between periods covered by the MD&A presentation. The basis for such opinion should be stated in the practitioner's report. Appendix A [paragraph .114] includes several examples of such modifications. (See Example 2.) Also refer to paragraph .107 for required communications with the audit committee.

.73 If the practitioner is unable to perform the procedures he or she considers necessary in the circumstances, the practitioner should modify the report or withdraw from the engagement. If the practitioner modifies the report, he or she should describe the limitation on the scope of the examination in an explanatory paragraph and qualify his or her opinion, or disclaim an opinion. However, limitations on the ability of the practitioner to perform necessary procedures could also arise because of the lack of adequate support for a significant representation in the MD&A. That circumstance may result in a conclusion that the unsupported representation constitutes a material misstatement of fact and, accordingly, the practitioner may qualify his or her opinion or express an adverse opinion, as described in paragraph .72.

Reference to Report of Another Practitioner

.74 If another practitioner examined the MD&A presentation of a component (refer to paragraph .46), the practitioner examining the group's MD&A may decide to make reference to such report of the component practitioner as a basis for his or her opinion on the group's consolidated MD&A presentation. The practitioner examining the group's MD&A should

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disclose this fact in the introductory paragraph of the report and should refer to the report of the component practitioner in expressing an opinion on the group's consolidated MD&A presentation. These references indicate (1) that the practitioner examining the group's MD&A is not taking responsibility for the work of the component practitioner, and (2) the source of the examination evidence with respect to those components for which reference to the examination of component practitioners is made. Appendix A [paragraph .114] provides an example of a report for such a situation. (See example 3.) Refer to paragraph .105 for guidance when the other practitioner does not issue a report. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Emphasis of a Matter

.75 In a number of circumstances, the practitioner may wish to emphasize a matter regarding the MD&A presentation. For example, he or she may wish to emphasize that the entity has included information beyond the required elements of the rules and regulations adopted by the SEC. Such explanatory comments should be presented in a separate paragraph of the practitioner's report.

Review Engagement

.76 The objective of a review engagement, including a review of MD&A for an interim period, is to accumulate sufficient evidence to provide the practitioner with a basis for reporting whether any information came to the practitioner's attention to cause him or her to believe that (*a*) the MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC, (*b*) the historical financial amounts included therein have not been accurately derived, in all material respects, from the entity's financial statements, or (*c*) the underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein. MD&A for an interim period may be a freestanding presentation or it may be combined with the MD&A presentation for the most recent fiscal year. Procedures for conducting a review of MD&A generally are limited to inquiries and analytical procedures, rather than also including search and verification procedures, concerning factors that have a material effect on financial condition, including liquidity and capital resources, results of operations, and cash flows. In a review engagement, the practitioner should—

a. Obtain an understanding of the rules and regulations adopted by the SEC for MD&A and management's method of preparing MD&A. (See paragraphs .18–.19.)

b. Plan the engagement. (See paragraph .77.)

c. Consider relevant portions of the entity's internal control applicable to the preparation of the MD&A. (See paragraph .78.)

d. Apply analytical procedures and make inquiries of management and others. (See paragraphs .79–.80.)

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e. Consider the effect of events subsequent to the balance-sheet date. The practitioner's consideration of such events in a review of MD&A is similar to the practitioner's consideration in an examination. (See paragraphs .65–.66.)

f. Obtain written representations from management concerning its responsibility for MD&A, completeness of minutes, events subsequent to the balance-sheet date, and other matters about which the practitioner believes written representations are appropriate. (See paragraph .110.)

g. Form a conclusion as to whether any information came to the practitioner's attention that causes him or her to believe any of the following.

1. The MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC.

2. The historical financial amounts included therein have not been accurately derived, in all material respects, from the entity's financial statements.

3. The underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein.

Planning the Engagement

.77 Planning an engagement to review MD&A involves developing an overall strategy for the analytical procedures and inquiries to be performed. When developing an overall strategy for the review engagement, the practitioner should consider factors such as the following:

- Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes
- Matters relating to the entity's business, including its organization, operating characteristics, capital structure, and distribution methods
- The types of relevant information that management reports to external analysts (for example, press releases or presentations to lenders and rating agencies concerning past and future performance)
- The extent of management's knowledge of and experience with the rules and regulations adopted by the SEC for MD&A
- If the entity is a nonpublic entity, the intended use of the MD&A presentation
- Matters identified during the audit or review of the historical financial statements relating to MD&A reporting, including knowledge of the entity's internal control applicable to the preparation of MD&A and the extent of recent changes, if any
- Matters identified during prior engagements to examine or review MD&A
- Preliminary judgments about materiality

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- The nature of complex or subjective matters potentially material to the MD&A that may require special skill or knowledge
- The presence of an internal audit function and the extent to which internal auditors are involved in directly testing the MD&A presentation or underlying records

Consideration of Internal Control Applicable to the Preparation of MD&A

.78 To perform a review of MD&A, the practitioner needs to have sufficient knowledge of the entity's internal control applicable to the preparation of MD&A to—

- Identify types of potential misstatements in MD&A, including types of material omissions, and consider the likelihood of their occurrence.
- Select the inquiries and analytical procedures that will provide a basis for reporting whether any information causes the practitioner to believe the following.
  - — The MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC, or the historical financial amounts included therein have not been accurately derived, in all material respects, from the entity's financial statements.
  - — The underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein.

Application of Analytical Procedures and Inquiries

.79 The practitioner ordinarily would not obtain corroborating evidential matter of management's responses to the practitioner's inquiries in performing a review of MD&A. The practitioner should, however, consider the consistency of management's responses in light of the results of other inquiries and the application of analytical procedures. The practitioner ordinarily should apply the following analytical procedures and inquiries.

a. Read the MD&A presentation and compare the content for consistency with the audited financial statements (or reviewed interim financial information if MD&A includes interim information); compare financial amounts to the audited or reviewed financial statements or related accounting records and analyses; recompute the increases, decreases, and percentages disclosed.

b. Compare nonfinancial amounts to the audited (or reviewed) financial statements, if applicable, or to other records. (Refer to paragraph .80.)

c. Consider whether the explanations in MD&A are consistent with the information obtained during the audit or the review of interim financial information; make further inquiries of officers and other executives having responsibility for operational areas as necessary.

d. Obtain available prospective financial information (for example, budgets; sales forecasts; forecasts of labor, overhead, and materials costs; capital expenditure requests; and financial forecasts and projections) and compare such information to

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forward-looking MD&A disclosures. Inquire of management as to the procedures used to prepare the prospective financial information. Consider whether information came to the practitioner's attention that causes him or her to believe that the underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures of trends, demands, commitments, events, or uncertainties.[26]

e. Make inquiries of officers and other executives having responsibility for operational areas (such as sales, marketing, and production) and financial and accounting matters, as to any plans and expectations for the future that could affect the entity's liquidity and capital resources.

f. Compare the information in MD&A with the rules and regulations adopted by the SEC and consider whether the presentation includes the required elements of such rules and regulations.

g. Read the minutes of meetings to date of the board of directors and other significant committees to identify actions that may affect MD&A; consider whether such matters are appropriately addressed in the MD&A presentation.

h. Inquire of officers as to the entity's prior experience with the SEC and the extent of comments received upon review of documents by the SEC; read correspondence between the entity and the SEC with respect to such review, if any.

i. Inquire of management regarding the nature of public communications (for example, press releases and quarterly reports) dealing with historical and future results and consider whether the MD&A presentation is consistent with such communications.

.80 If nonfinancial data are included in the MD&A presentation, the practitioner should inquire as to the nature of the records from which such information was derived and observe the existence of such records, but need not perform other tests of such records beyond analytical procedures and inquiries of individuals responsible for maintaining them. The practitioner should consider whether such nonfinancial data are relevant to users of the MD&A presentation and whether such data are clearly defined in the MD&A presentation. The practitioner should make inquiries regarding whether the definition of the nonfinancial data was consistently applied during the periods reported.

.81 However, if the practitioner becomes aware that the presentation may be incomplete or contain inaccuracies, or is otherwise unsatisfactory, the practitioner should perform the additional procedures he or she deems necessary to achieve the limited assurance contemplated by a review engagement.

Reporting

.82 In order for the practitioner to issue a report on a review of MD&A for an annual period, the financial statements for the periods covered by the MD&A presentation and the related auditor's report(s) should accompany the MD&A presentation (or with respect to a public

[26]Refer to paragraph .26 for a discussion concerning the safe harbor rules for forward-looking statements.

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entity be incorporated in the document containing the MD&A by reference to information filed with a regulatory agency).

.83 If the MD&A presentation relates to an interim period and the entity is a public entity, the financial statements for the interim periods covered by the MD&A presentation and the related accountant's review report(s) should accompany the MD&A presentation, or be incorporated in the document containing the MD&A by reference to information filed with a regulatory agency. The comparative financial statements for the most recent annual period and the related MD&A should accompany the MD&A presentation for the interim period, or be incorporated by reference to information filed with a regulatory agency. Generally, the requirement for inclusion of the annual financial statements and related MD&A is satisfied by a public entity that has met its reporting responsibility for filing its annual financial statements and MD&A in its annual report on Form 10-K.

.84 If the MD&A presentation relates to an interim period and the entity is a nonpublic entity, the following documents should accompany the interim MD&A presentation in order for the practitioner to issue a review report:

a. The MD&A presentation for the most recent fiscal year and related accountant's examination or review report(s)

b. The financial statements for the periods covered by the respective MD&A presentations (most recent fiscal year and interim periods and the related auditor's report(s) and accountant's review report(s))

In addition, one of the following conditions should be met.

- A statement should be included in the body of the MD&A presentation that it has been prepared using the rules and regulations adopted by the SEC.
- A separate written assertion should accompany the MD&A presentation or such assertion should be included in a representation letter obtained from the entity.

.85 The practitioner's report on a review of MD&A should include the following:

a. A title that includes the word *independent*

b. An identification of the MD&A presentation, including the period covered

c. A statement that management is responsible for the preparation of the MD&A pursuant to the rules and regulations adopted by the SEC

d. A reference to the auditor's report on the related financial statements, and, if the report was other than a standard report, the substantive reasons therefor

e. A statement that the review was conducted in accordance with attestation standards established by the AICPA

f. A description of the procedures for a review of MD&A

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g. A statement that a review of MD&A is substantially less in scope than an examination, the objective of which is an expression of opinion regarding the MD&A presentation, and accordingly, no such opinion is expressed

h. A paragraph stating that—

   1. The preparation of MD&A requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information

   2. Actual results in the future may differ materially from management's present assessment of information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties

i. If the entity is a nonpublic entity, a statement that although the entity is not subject to the rules and regulations of the SEC, the MD&A presentation is intended to be a presentation in accordance with the rules and regulations adopted by the SEC

j. A statement about whether any information came to the practitioner’s attention that caused him or her to believe that—

   1. The MD&A presentation does not include, in all material respects, the required elements of the rules and regulations adopted by the SEC

   2. The historical financial amounts included therein have not been accurately derived, in all material respects, from the entity’s financial statements

   3. The underlying information, determinations, estimates, and assumptions of the entity do not provide a reasonable basis for the disclosures contained therein

k. If the entity is a public entity as defined in paragraph .02, or a nonpublic entity that is making or has made an offering of securities and it appears that the securities may subsequently be registered or subject to a filing with the SEC or other regulatory agency (for example, certain offerings of securities under Rule 144A of the 1933 Act that purport to conform to Regulation S-K), a statement of restrictions on the use of the report to specified parties, because it is not intended to be filed with the SEC as a report under the 1933 Act or the 1934 Act.

l. The manual or printed signature of the practitioner’s firm

m. The date of the review report

Appendix B [paragraph .115], "Review Reports," provides examples of a standard review report for an annual and interim period.

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Dating

.86 The practitioner's report on the review of MD&A should be dated as of the completion of the practitioner's review procedures. That date should not precede the date of the accountant's report on the latest historical financial statements covered by the MD&A.

Report Modifications

.87 The practitioner should modify the standard review report described in paragraph .86 if any of the following conditions exist.

- The presentation excludes a material required element of the rules and regulations adopted by the SEC. (See paragraph .89.)
- The historical financial amounts have not been accurately derived, in all material respects, from the entity's financial statements. (See paragraph .89.)
- The underlying information, determinations, estimates, and assumptions used by management do not provide the entity with a reasonable basis for the disclosures in the MD&A. (See paragraph .89.)
- The practitioner decides to refer to the report of another practitioner as the basis, in part, for his or her report. (See paragraph .90.)
- The practitioner is engaged to review the MD&A presentation after it has been filed with the SEC or other regulatory agency. (See paragraphs .94–.98.)

.88 When the practitioner is unable to perform the inquiry and analytical procedures he or she considers necessary to achieve the limited assurance provided by a review, or the client does not provide the practitioner with a representation letter, the review will be incomplete. A review that is incomplete is not an adequate basis for issuing a review report. If the practitioner is unable to complete a review because of a scope limitation, the practitioner should consider the implications of that limitation with respect to possible misstatements of the MD&A presentation. In those circumstances, the practitioner should also refer to paragraphs .107–.109 for guidance concerning communications with the audit committee.

.89 If the practitioner becomes aware that the MD&A is materially misstated, the practitioner should modify the review report to describe the nature of the misstatement. Appendix B [paragraph .115] contains an example of such a modification of the accountant's report. (See Example 3.)

.90 If another practitioner reviewed or examined the MD&A for a material component, the practitioner may decide to make reference to such report of the other practitioner in reporting on the consolidated MD&A presentation. Such reference indicates a division of responsibility for performance of the review.

Emphasis of a Matter

.91 In some circumstances, the practitioner may wish to emphasize a matter regarding the MD&A presentation. For example, he or she may wish to emphasize that the entity has

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included information beyond the required elements of the rules and regulations adopted by the SEC. Such explanatory comments should be presented in a separate paragraph of the practitioner's report.

Combined Examination and Review Report on MD&A

.92 A practitioner may be engaged both to examine an MD&A presentation as of the most recent fiscal year-end and to review a separate MD&A presentation for a subsequent interim period. If the examination and review are completed at the same time, a combined report may be issued. Appendix C [paragraph .116], "Combined Reports," contains an example of a combined report on an examination of an annual MD&A presentation and the review of a separate MD&A presentation for an interim period. (See Example 1.)

.93 If an entity prepares a combined MD&A presentation for annual and interim periods in which there is a discussion of liquidity and capital resources only as of the most recent interim period but not as of the most recent annual period, the practitioner is limited to performing the highest level of service that is provided with respect to the historical financial statements for any of the periods covered by the MD&A presentation. For example, if the annual financial statements have been audited and the interim financial statements have been reviewed, the practitioner may be engaged to perform a review of the combined MD&A presentation. Appendix C [paragraph .116] contains an example of a review report on a combined MD&A presentation for annual and interim periods. (See Example 2.)

When Practitioner Is Engaged Subsequent to the Filing of MD&A

.94 Management's responsibility for updating an MD&A presentation for events occurring subsequent to the issuance of MD&A depends on whether the entity is a public or nonpublic entity. A public entity is required to report significant subsequent events in a Form 8-K or Form 10-Q, or in a registration statement; therefore, a public company would ordinarily not modify its MD&A presentation once it is filed with the SEC (or other regulatory agency).

.95 Therefore, if the practitioner is engaged to examine (or review) an MD&A presentation of a public entity that has already been filed with the SEC (or other regulatory agency), the practitioner should consider whether material subsequent events are appropriately disclosed in a Form 8-K or 10-Q, or a registration statement that includes or incorporates by reference such MD&A presentation. Refer to paragraphs .65–.66 for guidance concerning consideration of events up to the filing date when the practitioner's report on MD&A will be included (or incorporated by reference) in a 1933 Act document filed with the SEC that will require a consent.

.96 If subsequent events of a public entity are appropriately disclosed in a Form 8-K or 10-Q, or in a registration statement, or if there have been no material subsequent events, the practitioner should add the following paragraph to his or her examination or review report following the opinion or concluding paragraph, respectively.

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> The accompanying Management's Discussion and Analysis does not consider events that have occurred subsequent to Month XX, 20X6, the date as of which it was filed with the Securities and Exchange Commission.

.97 If there has been a material subsequent event that has not been disclosed in a manner described in paragraph .95 and if the practitioner determines that it is appropriate to issue a report even though the MD&A presentation has not been updated for such material subsequent event (for example, because the filing of the Form 10-Q that will disclose such events has not yet occurred), the practitioner should express a qualified or an adverse opinion (or appropriately modify the review report) on the MD&A presentation. As discussed in paragraph .107, if such material subsequent event is not appropriately disclosed, the practitioner should evaluate (*a*) whether to resign from the engagement related to the MD&A presentation and (*b*) whether to remain as the entity's auditor or stand for re-election to audit the entity's financial statements.

.98 Because a nonpublic entity is not subject to the filing requirements of the SEC, an MD&A presentation of a nonpublic entity should be updated for material subsequent events through the date of the practitioner's report.

When a Predecessor Auditor Has Audited Prior Period Financial Statements

.99 If a predecessor auditor has audited the financial statements for a prior period covered by the MD&A, the need by the practitioner reporting on the MD&A for an understanding of the business and the entity's accounting and financial reporting practices for such prior period, as discussed in paragraph .07, is not diminished and the practitioner should apply the appropriate procedures. In applying the appropriate procedures, the practitioner may consider reviewing the predecessor auditor's working papers with respect to audits of financial statements and examinations or reviews of MD&A presentations for such prior periods.

.100 Information that may be obtained from the audit or attest working papers of the predecessor auditor will not provide a sufficient basis in itself for the practitioner to express an opinion with respect to the MD&A disclosures for such prior periods. If the practitioner has audited the current year, the results of such audit may be considered in planning and performing the examination of MD&A and may provide evidential matter that is useful in performing the examination, including with respect to matters disclosed for prior periods. For example, an increase in salaries expense may be the result of an acquisition in the last half of the prior year. Auditing procedures applied to payroll expense in the current year that validate the increase as a result of the acquisition may provide evidential matter with respect to the increase in salaries expense in the prior year attributed to the acquisition.

.101 In addition to the procedures described in paragraphs .49–.66, the practitioner will need to make inquiries of the predecessor auditor and management as to audit adjustments proposed by the predecessor auditor that were not recorded in the financial statements.

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Communications Between Predecessor and Successor Auditors

.102 If the practitioner is appointed as the successor auditor, he or she follows the guidance AU-C section 210, *Terms of Engagement*, in considering whether or not to accept the engagement. If, at the time of the appointment as auditor, the practitioner is also being engaged to examine or review MD&A, the practitioner should also make specific inquiries of the predecessor auditor regarding MD&A. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.103 The practitioner's examination may be facilitated by (*a*) making specific inquiries of the predecessor regarding matters that the successor believes may affect the conduct of the examination (or review), such as areas that required an inordinate amount of time or problems that arose from the condition of the records, and (*b*) if the predecessor previously examined or reviewed MD&A, reviewing the predecessor's working papers for the predecessor's examination or review engagement.

.104 If, subsequent to his or her engagement to audit the financial statements, the practitioner is requested to examine MD&A, the practitioner should request the client to authorize the predecessor auditor to allow a review of the predecessor's audit working papers related to the financial statement periods included in the MD&A presentation. Although the practitioner may previously have had access to the predecessor auditor's working papers in connection with the successor's audit of the financial statements, ordinarily the predecessor auditor should permit the practitioner to review those audit working papers relating to matters that are disclosed or that would likely be disclosed in MD&A.

Another Auditor Audits a Significant Part of the Financial Statements

.105 When one or more component auditors audits a significant part of a group's financial statements, the practitioner[27] may request that the component auditor perform procedures with respect to the MD&A or the practitioner may perform the procedures directly with respect to such component(s).[28] Unless the component auditor issues an examination or review report on a separate MD&A presentation of such component(s) (see paragraph .74), the practitioner examining the group's MD&A should not make reference to the work of the component practitioner on MD&A in his or her report on MD&A[29] Accordingly, if the practitioner examining the group's MD&A has requested such component auditor to

[27]The practitioner serving as auditor of the group's financial statements is presumed to have an audit base for purposes of examining or reviewing the consolidated MD&A presentation. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[28]The practitioner should consider whether he or she has sufficient industry expertise with respect to a subsidiary audited by a component auditor to take sole responsibility for the group's consolidated MD&A presentation. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[29]This does not preclude the practitioner from referring to the component auditor's report on the financial statements in his or her report on the group's MD&A. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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perform procedures, the practitioner examining the group's MD&A should perform those procedures that he or she considers necessary to take responsibility for the work of the other auditor. Such procedures may include one or more of the following:

a. Visiting the component auditor and discussing the procedures followed and the results thereof.

b. Reviewing the working papers of the component auditor with respect to the component.

c. Participating in discussions with the component's management regarding matters that may affect the preparation of the component's MD&A.

d. Making supplemental tests with respect to such component.

The determination of the extent of the procedures to be applied by the practitioner examining the group's MD&A rests with that practitioner alone in the exercise of his or her professional judgment and in no way constitutes a reflection on the adequacy of the component auditor's work. Because the practitioner examining the group's MD&A in this case assumes responsibility for his or her opinion on the MD&A presentation without making reference to the procedures performed by the other auditor, the judgment of the practitioner examining the group's MD&A should govern as to the extent of procedures to be undertaken. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Responsibility for Other Information in Documents Containing MD&A

.106 A client may publish annual reports containing MD&A and other documents to which the practitioner, at the client's request, devotes attention. See paragraphs .91–.94 of section 101 for pertinent guidance in these circumstances. See Appendix D of this section [paragraph .117], "Comparison of Activities Performed Under SAS No. 8, *Other Information in Documents Containing Audited Financial Statements*, Versus a Review or an Examination Attest Engagement." The guidance in AU-C section 925, *Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933*, is pertinent when the practitioner's report on MD&A is included in a registration statement, proxy statement, or periodic report filed under the federal securities statutes. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Communications With the Audit Committee

.107 If the practitioner concludes that the MD&A presentation contains material inconsistencies with other information included in the document containing the MD&A presentation or with the historical financial statements,[30] material omissions, or material misstatements of fact, and management refuses to take corrective action, the practitioner

[30]See AU-C section 720B, *Other Information in Documents Containing Audited Financial Statements*, for guidance on the impact of material inconsistencies or material misstatements of fact on the auditor's report on the related

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should inform the audit committee or others with equivalent authority and responsibility. If the MD&A is not revised, the practitioner should evaluate (*a*) whether to resign from the engagement related to the MD&A, and (*b*) whether to remain as the entity's auditor or stand for re-election to audit the entity's financial statements. The practitioner may wish to consult with his or her attorney when making these evaluations.

.108 If the practitioner is engaged after the MD&A presentation has been filed with the SEC (or other regulatory agency), and becomes aware that such MD&A presentation on file with the SEC (or other regulatory agency) has not been revised for a matter for which the practitioner has or would qualify his or her opinion, the practitioner should discuss such matter with the audit committee and request that the MD&A presentation be revised. If the audit committee fails to take appropriate action, the practitioner should consider whether to resign as the independent auditor of the company. The practitioner may consider paragraphs .21–.23 and .27 of AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, concerning communication with the audit committee and other considerations. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.109 If, as a result of performing an examination or a review of MD&A, the practitioner has determined that there is evidence that fraud may exist, that matter should be brought to the attention of an appropriate level of management. This is generally appropriate even if the matter might be considered clearly inconsequential. If the matter relates to the audited financial statements, the practitioner should consider the guidance in AU-C section 240, *Consideration of Fraud in a Financial Statement Audit*, concerning communication responsibilities, and the effect on the auditor's report on the financial statements. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Obtaining Written Representations

.110 In an examination or a review engagement, the practitioner should obtain written representations from management.[31] The specific written representations obtained by the practitioner will depend on the circumstances of the engagement and the nature of the MD&A presentation. Specific representations should relate to the following matters:

a. Management's acknowledgment of its responsibility for the preparation of MD&A and management's assertion that the MD&A presentation has been prepared in accordance with the rules and regulations adopted by the SEC for MD&A[32]

historical financial statements. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[31]Paragraph .21 of AU-C section 580, *Written Representations*, requires that written representations be in the form of a representation letter addressed to the auditor. Paragraph .09*b* of AU-C section 925 requires the auditor to obtain updated written representations from management at or shortly before the effective date of the registration statement, about (*a*) whether any information has come to management's attention that would cause management to believe that any of the previous representations should be modified, and (*b*) whether any events have occurred subsequent to the date of the financial statements that would require adjustment to, or disclosure in, those financial statements. (See paragraph .65.) [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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b. A statement that the historical financial amounts included in MD&A have been accurately derived from the entity's financial statements

c. Management's belief that the underlying information, determinations, estimates, and assumptions of the entity provide a reasonable basis for the disclosures contained in the MD&A

d. A statement that management has made available all significant documentation related to compliance with SEC rules and regulations for MD&A

e. Completeness and availability of all minutes of meetings of stockholders, directors, and committees of directors

f. For a public entity, whether any communications from the SEC were received concerning noncompliance with or deficiencies in MD&A reporting practices

g. Whether any events occurred subsequent to the latest balance-sheet date that would require disclosure in the MD&A

h. If forward-looking information is included, a statement that—

- The forward-looking information is based on management's best estimate of expected events and operations, and is consistent with budgets, forecasts, or operating plans prepared for such periods
- The accounting principles expected to be used for the forward-looking information are consistent with the principles used in preparing the historical financial statements
- Management has provided the latest version of such budgets, forecasts, or operating plans, and has informed the practitioner of any anticipated changes or modifications to such information that could affect the disclosures contained in the MD&A presentation

i. If voluntary information is included that is subject to the rules and regulations adopted by the SEC (for example, information required by Item 305, *Quantitative and Qualitative Disclosures About Market Risk*), a statement that such voluntary information has been prepared in accordance with the related rules and regulations adopted by the SEC for such information

j. If pro forma information is included, a statement that—

- Management is responsible for the assumptions used in determining the pro forma adjustments
- Management believes that the assumptions provide a reasonable basis for presenting all the significant effects directly attributable to the transaction or event, that the related pro forma adjustments give appropriate effect to those

[32]Management should specify the SEC rules (for example, Item 303 of Regulation S-K, Item 303 of Regulation S-B, or Item 9 of Form 20-F). For nonpublic entities, the practitioner also obtains a written assertion that the presentation has been prepared using the rules and regulations adopted by the SEC. (See paragraph .02.)

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assumptions, and that the pro forma column reflects the proper application of those adjustments to the historical financial statements

- Management believes that the significant effects directly attributable to the transaction or event are appropriately disclosed in the pro forma financial information

.111 In an examination, management's refusal to furnish written representations constitutes a limitation on the scope of the engagement sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause a practitioner to disclaim an opinion or withdraw from the examination engagement. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate in an examination engagement. In a review engagement, management's refusal to furnish written representations constitutes a limitation of the scope of the engagement sufficient to require withdrawal from the review engagement. Further, the practitioner should consider the effects of the refusal on his or her ability to rely on other management representations.

.112 If the practitioner is precluded from performing procedures he or she considers necessary in the circumstances with respect to a matter that is material to the MD&A presentation, even though management has given representations concerning the matter, there is a limitation on the scope of the engagement, and the practitioner should qualify his or her opinion or disclaim an opinion in an examination engagement, or withdraw from a review engagement.

Effective Date

.113 This section is effective when management's discussion and analysis is for a period ending on or after June 1, 2001. Early application is permitted.

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Appendix A — Examination Reports

.114

Example 1: Standard Examination Report

1. The following is an illustration of a standard examination report.

Independent Accountant's Report

[*Introductory paragraph*]

We have examined XYZ Company's Management's Discussion and Analysis taken as a whole, included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. Our responsibility is to express an opinion on the presentation based on our examination. We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X5 and 20X4, and the related statements of income, changes in stockholder's equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, and the related notes to the financial statements. In our report dated [*Month*] XX, 20X6, we expressed an unmodified opinion on those financial statements.[33]

[33]If prior financial statements were audited by other auditors, this sentence would be replaced by the following.

> We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company, which comprise the balance sheet as of December 31, 20X5, and the related statement of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements. In our report dated [*Month*] XX, 20X6, we expressed an unmodified opinion on those financial statements. The financial statements of XYZ Company; which comprise the balance sheet as of December 31, 20X4, and the related statement of income, changes in stockholder's equity, and cash flows for each of the years in the two-year period then ended, and the notes to the financial statements; were audited by other auditors, whose report dated [*Month*] XX, 20X5, expressed an unmodified opinion on those financial statements.

If the practitioner's opinion on the financial statements is based on the report of component auditors, this sentence would be replaced by the following:

> We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company which comprise the balance sheets as of December 31, 20X5 and 20X4, and the related statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5, and the notes to the financial statements. In our report dated [*Month*] XX, 20X6, we expressed an unmodified opinion on those financial statements based on our audits and the report of component auditors.

Refer to Example 3 if the practitioner's opinion on MD&A is based on the report of another practitioner on a component of the entity. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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[*Scope paragraph*]

Our examination of Management's Discussion and Analysis was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the historical amounts and disclosures in the presentation. An examination also includes assessing the significant determinations made by management as to the relevancy of information to be included and the estimates and assumptions that affect reported information. We believe that our examination provides a reasonable basis for our opinion.

[*Explanatory paragraph*][34]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Opinion paragraph*]

In our opinion, the Company's presentation of Management's Discussion and Analysis includes, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission; the historical financial amounts included therein have been accurately derived, in all material respects, from the Company's financial statements; and the underlying information, determinations, estimates, and assumptions of the Company provide a reasonable basis for the disclosures contained therein.

[*Signature*]

[*Date*]

[34]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .69*h*:

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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Example 2: Modifications to Examination Report for a Qualified Opinion

2. An example of a modification of an examination report for a qualified opinion due to a material omission described in paragraph .72 follows.

[*Additional explanatory paragraph preceding the opinion paragraph*]

Based on information furnished to us by management, we believe that the Company has excluded a discussion of the significant capital outlay required for its plans to expand into the telecommunications industry and the possible effects on the Company's financial condition, liquidity, and capital resources.

[*Opinion paragraph*]

In our opinion, except for the omission of the matter described in the preceding paragraph, the Company's presentation of Management's Discussion and Analysis includes, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission; the historical financial amounts included therein have been accurately derived, in all material respects, from the Company's financial statements; and the underlying information, determinations, estimates, and assumptions of the Company provide a reasonable basis for the disclosures contained therein.

3. An example of a modification of an examination report for a qualified opinion when overly subjective assertions are included in MD&A follows.

[*Additional explanatory paragraph preceding the opinion paragraph*]

Based on information furnished to us by management, we believe that the underlying information, determinations, estimates, and assumptions used by management do not provide the Company with a reasonable basis for the disclosure concerning [*describe*] in the Company's Management's Discussion and Analysis.

[*Opinion paragraph*]

In our opinion, except for the disclosure regarding [*describe*] discussed in the preceding paragraph, the Company's presentation of Management's Discussion and Analysis includes, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission; the historical financial amounts included therein have been accurately derived, in all material respects, from the Company's financial statements; and the underlying information, determinations, estimates, and assumptions of the Company provide a reasonable basis for the disclosures contained therein.

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Example 3: Examination Report With Reference to the Report of Another Practitioner

4. The following is an illustration of an examination report indicating a division of responsibility with another practitioner, who has examined a separate MD&A presentation of a wholly-owned subsidiary, when the practitioner reporting is serving as the auditor of the related group's consolidated financial statements.

Independent Accountant's Report

[*Introductory paragraphs*]

We have examined XYZ Company's Management's Discussion and Analysis taken as a whole, included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. Our responsibility is to express an opinion on the presentation based on our examination. We did not examine Management's Discussion and Analysis of ABC Corporation, a wholly-owned subsidiary, included in ABC Corporation's [*insert description of registration statement or document*]. Such Management's Discussion and Analysis was examined by other accountants, whose report has been furnished to us, and our opinion, insofar as it relates to information included for ABC Corporation, is based solely on the report of the other accountants.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of XYZ Company, which comprise the consolidated balance sheets as of December 31, 20X5 and 20X4, and the related consolidated statements of income, changes in stockholders' equity, and cash flows, for each of the years in the three-year period ended December 31, 20X5. In our report dated [*Month*] XX, 20X6, we expressed an unmodified opinion on those financial statements based on our audits and the report of other auditors.

[*Scope paragraph*]

Our examination of Management's Discussion and Analysis was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the historical amounts and disclosures in the presentation. An examination also includes assessing the significant determinations made by management as to the relevancy of information to be included and the estimates and assumptions that affect reported information. We believe that our examination and the report of other accountants provide a reasonable basis for our opinion.

[*Explanatory paragraph*][35]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to

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be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Opinion paragraph*]

In our opinion, based on our examination and the report of other accountants, the Company's presentation of Management's Discussion and Analysis included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*] includes, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission; the historical financial amounts included therein have been accurately derived, in all material respects, from the Company's financial statements; and the underlying information, determinations, estimates, and assumptions of the Company provide a reasonable basis for the disclosures contained therein.

[*Signature*]

[*Date*]

[Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

[35]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .69*h*.

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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Appendix B — Review Reports

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Example 1: Standard Review Report on an Annual MD&A Presentation

1. The following is an illustration of a standard review report on an annual MD&A presentation.

Independent Accountant's Report

[*Introductory paragraph*]

We have reviewed XYZ Company's Management's Discussion and Analysis taken as a whole, included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X5 and 20X4, and the related statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 20X5. In our report dated [*Month*] XX, 20X6, we expressed an unqualified opinion on those financial statements.

[*Scope paragraph*]

We conducted our review of Management's Discussion and Analysis in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review of Management's Discussion and Analysis consists principally of applying analytical procedures and making inquiries of persons responsible for financial, accounting, and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the presentation. Accordingly, we do not express such an opinion.

[*Explanatory paragraph*][36]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated future impact of transactions and events that have occurred or are expected to occur,

[36]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .85*i*.

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Concluding paragraph*]

Based on our review, nothing came to our attention that caused us to believe that the Company's presentation of Management's Discussion and Analysis does not include, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission, that the historical financial amounts included therein have not been accurately derived, in all material respects, from the Company's financial statements, or that the underlying information, determinations, estimates and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

[*Restricted use paragraph*][37]

This report is intended solely for the information and use of [*list or refer to specified parties*] and is not intended to be and should not be used by anyone other than the specified parties.

[*Signature*]

[*Date*]

[37]This paragraph may be omitted for certain nonpublic entities. (Refer to paragraph .85*k*.)

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Example 2: Standard Review Report on an Interim MD&A Presentation

2. The following is an illustration of a standard review report on an MD&A presentation for an interim period.

Independent Accountant's Report

[*Introductory paragraph*]

We have reviewed XYZ Company's Management's Discussion and Analysis taken as a whole included in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. We have reviewed, in accordance with standards established by the American Institute of Certified Public Accountants, the interim financial information of XYZ Company as of June 30, 20X6 and 20X5, and for the three-month and six-month periods then ended, and have issued our report thereon dated July XX, 20X6.

[*Scope paragraph*]

We conducted our review of Management's Discussion and Analysis in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review of Management's Discussion and Analysis consists principally of applying analytical procedures and making inquiries of persons responsible for financial, accounting, and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the presentation. Accordingly, we do not express such an opinion.

[*Explanatory paragraph*][38]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Concluding paragraph*]

[38]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .85*i*.

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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Based on our review, nothing came to our attention that caused us to believe that the Company's presentation of Management's Discussion and Analysis does not include, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission, that the historical financial amounts included therein have not been accurately derived, in all material respects, from the Company's financial statements, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

[*Restricted use paragraph*][39]

This report is intended solely for the information and use of [*list or refer to specified parties*] and is not intended to be and should not be used by anyone other than the specified parties.

[*Signature*]

[*Date*]

Example 3: Modification to Review Report for a Material Misstatement

3. An example of a modification of the accountant's report when MD&A is materially misstated, as discussed in paragraph .89, follows.

[*Additional explanatory paragraph preceding the concluding paragraph*]

Based on information furnished to us by management, we believe that the Company has excluded a discussion of the significant capital outlay required for its plans to expand into the telecommunications industry and the possible effects on the Company's financial condition, liquidity, and capital resources.

[*Concluding paragraph*]

Based on our review, with the exception of the matter described in the preceding paragraph, nothing came to our attention that caused us to believe that the Company's presentation of Management's Discussion and Analysis does not include, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission, that the historical financial amounts included therein have not been accurately derived, in all material respects, from the Company's financial statements, or that the underlying information, determinations, estimates and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

[39]This paragraph may be omitted for certain nonpublic entities. (Refer to paragraph .85*k*.)

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Appendix C — Combined Reports

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Example 1: Combined Examination and Review Report on MD&A

1. An example of a combined report on an examination of an annual MD&A presentation and the review of MD&A for an interim period discussed in paragraph .92 follows.

Independent Accountant's Report

[*Introductory paragraph*]

We have examined XYZ Company's Management's Discussion and Analysis taken as a whole for the three-year period ended December 31, 20X5, included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. Our responsibility is to express an opinion on the annual presentation based on our examination. We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company as of December 31, 20X5 and 20X4, and for each of the years in the three-year period ended December 31, 19X5, and in our report dated [*Month*] XX, 20X6, we expressed an unqualified opinion on those financial statements.

[*Scope paragraph*]

Our examination of Management's Discussion and Analysis was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the historical amounts and disclosures in the presentation. An examination also includes assessing the significant determinations made by management as to the relevancy of information to be included and the estimates and assumptions that affect reported information. We believe that our examination provides a reasonable basis for our opinion.

[*Explanatory paragraph*][40]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated

[40]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .69*h*.

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Opinion paragraph*]

In our opinion, the Company's presentation of Management's Discussion and Analysis for the three-year period ended December 31, 20X5, includes, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission; the historical financial amounts included therein have been accurately derived, in all material respects, from the Company's financial statements; and the underlying information, determinations, estimates, and assumptions of the Company provide a reasonable basis for the disclosures contained therein.

[*Paragraphs on interims*]

We have also reviewed XYZ Company's Management's Discussion and Analysis taken as a whole for the six-month period ended June 30, 20X6 included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. We have reviewed, in accordance with standards established by the American Institute of Certified Public Accountants, the interim financial information of XYZ Company as of June 30, 20X6 and 20X5, and for the six-month periods then ended, and have issued our report thereon dated July XX, 20X6.

We conducted our review of Management's Discussion and Analysis in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review of Management's Discussion and Analysis consists principally of applying analytical procedures and making inquiries of persons responsible for financial, accounting, and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the presentation. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the Company's presentation of Management's Discussion and Analysis for the six-month period ended June 30, 20X6, does not include, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission, that the historical financial amounts included therein have not been accurately derived, in all material respects, from the Company's unaudited interim financial statements, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

[*Restricted use paragraph*][41]

This report is intended solely for the information and use of [*list or refer to specified parties*] and is not intended to be and should not be used by anyone other than the specified parties.

[41]This paragraph may be omitted for certain nonpublic entities. (Refer to paragraph .85*k*.)

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[*Signature*]

[*Date*]

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Example 2: Review Report on a Combined Annual and Interim MD&A Presentation

2. An example of a review report on a combined MD&A presentation for annual and interim periods follows.

Independent Accountant's Report

[*Introductory paragraph*]

We have reviewed XYZ Company's Management's Discussion and Analysis taken as a whole included [*incorporated by reference*] in the Company's [*insert description of registration statement or document*]. Management is responsible for the preparation of the Company's Management's Discussion and Analysis pursuant to the rules and regulations adopted by the Securities and Exchange Commission. We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of XYZ Company as of December 31, 20X5 and 20X4, and for each of the years in the three-year period ended December 31, 20X5, and in our report dated [*Month*] XX, 20X6, we expressed an unqualified opinion on those financial statements. We have reviewed, in accordance with standards established by the American Institute of Certified Public Accountants, the interim financial information of XYZ Company as of June 30, 20X6 and 20X5, and for the six-month periods then ended, and have issued our report thereon dated July XX, 20X6.

[*Scope paragraph*]

We conducted our review of Management's Discussion and Analysis in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review of Management's Discussion and Analysis consists principally of applying analytical procedures and making inquiries of persons responsible for financial, accounting, and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the presentation. Accordingly, we do not express such an opinion.

[*Explanatory paragraph*][42]

The preparation of Management's Discussion and Analysis requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Management's Discussion and Analysis includes information regarding the estimated future impact of transactions and events that have occurred or are expected to occur, expected sources of liquidity and capital resources, operating trends, commitments, and

[42]The following sentence should be added to the beginning of the explanatory paragraph if the entity is a nonpublic entity, as discussed in paragraph .69*h*.

> Although XYZ Company is not subject to the rules and regulations of the Securities and Exchange Commission, the accompanying Management's Discussion and Analysis is intended to be a presentation in accordance with the rules and regulations adopted by the Securities and Exchange Commission.

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uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

[*Concluding paragraph*]

Based on our review, nothing came to our attention that caused us to believe that the Company's presentation of Management's Discussion and Analysis does not include, in all material respects, the required elements of the rules and regulations adopted by the Securities and Exchange Commission, that the historical financial amounts included therein have not been accurately derived, in all material respects, from the Company's financial statements, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

[*Restricted use paragraph*][43]

This report is intended solely for the information and use of [*list or refer to specified parties*] and is not intended to be and should not be used by anyone other than the specified parties.

[*Signature*]

[*Date*]

[43]This paragraph may be omitted for certain nonpublic entities. (Refer to paragraph .85*k*.)

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Appendix D — Comparison of Activities Performed Under SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* [AU-C Section 720B], Versus a Review or an Examination Attest Engagement[a]

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[a]Refer to AU-C section 720B, *Other Information in Documents Containing Audited Financial Statements*. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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Activities	SAS No. 118 (AU-C section 720B)	Review	Examination
Obtain an understanding of SEC rules and regulations and management's methodology for the preparation of Management's Discussion and Analysis (MD&A).	Not applicable (N/A)—Auditor is only required to read the information in the MD&A in order to identify material inconsistencies, if any, with the audited financial statements.	Obtain an understanding of the rules and regulations adopted by the SEC for MD&A.	Same as for a review.
		Inquire of management regarding the method of preparing MD&A.	
Plan the engagement.	N/A	Develop an overall strategy for the analytical procedures and inquiries to be performed to provide negative assurance.	Develop an overall strategy for the expected scope and performance of the engagement to obtain reasonable assurance to express an opinion.
Consider internal control.	N/A	Consider relevant portions of the entity's internal control applicable to the preparation of MD&A to identify the types of potential misstatements and to select the inquiries and analytical procedures; no testing of controls would be performed.	Obtain an understanding of internal control applicable to the preparation of MD&A sufficient to plan the engagement and to assess control risk; controls may be tested by performing inquiries of client personnel, inspection of documents, and observation of relevant activities.
Test assertions.	N/A	Apply the following analytical procedures and make inquiries of management and others; no corroborating evidential matter is obtained:	Apply the following analytical and corroborative procedures to obtain reasonable assurance of detecting material misstatements:
		• Read the MD&A and compare the content for consistency with the financial statements; compare financial amounts to the financial statements or related accounting records and analyses; recompute increases, decreases and percentages disclosed.	• Read the MD&A and compare the content for consistency with the financial statements; compare financial amounts to the financial statements or related accounting records and analyses; recompute increases, decreases and percentages disclosed.

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Activities	SAS No. 118 (AU-C section 720B)	Review	Examination
		• Compare nonfinancial amounts to the financial statements or other records.	• Compare nonfinancial amounts to the financial statements or other records; perform tests on other records based on the concept of materiality.
		• Consider whether MD&A explanations are consistent with information obtained during the audit or review of financial statements; make further inquiries, as necessary. (Note: Such additional inquiries may result in a decision to perform other procedures or detail tests.)	• Consider whether explanations are consistent with the information obtained during the audit of financial statements; investigate further explanations that cannot be substantiated by information in the audit working papers through inquiry and inspection of client records.
		• Compare information in MD&A with the rules and regulations adopted by the SEC.	• Examine internally and externally generated documents in support of the existence, occurrence, or expected occurrence of events, transactions, conditions, trends, demands, commitments, and uncertainties disclosed in MD&A.
		• Obtain and read available prospective financial information; inquire of management as to the procedures used to prepare such information; consider whether information came to the practition-	

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Activities	SAS No. 118 (AU-C section 720B)	Review	Examination
		er's attention that causes him or her to believe that the underlying information, determinations, estimates, and assumptions do not provide a reasonable basis for the MD&A disclosures.	
		• Compare information in MD&A with the rules and regulations adopted by the SEC.	
		• Obtain public communications and minutes of meetings for comparison with disclosures in MD&A.	• Obtain and read available prospective financial information; inquire of management as to the procedures used to prepare such information; evaluate whether the underlying information, determinations, estimates, and assumptions provide a reasonable basis for the MD&A disclosures.
		• Make inquiries of the officers or executives with responsibility for operational areas and financial and accounting matters as to their plans and expectations for the future.	
		• Inquire as to prior experience with the SEC and the extent of comments received;	• Obtain public communications and minutes of meetings; consider obtaining other types of publicly

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Activities	SAS No. 118 (AU-C section 720B)	Review	Examination
		read correspondence.	available information for comparison with the disclosures in MD&A.
		• Consider whether there are any additional matters that should be disclosed in the MD&A based on the results of the preceding procedures and knowledge obtained during the audit or review of the financial statements.	• Make inquiries of the officers or executives with responsibility for operational areas and financial and accounting matters as to their plans and expectations for the future.
			• Inquire as to prior experience with the SEC and the extent of comments received; read correspondence.
			• Test completeness by considering the results of the preceding procedures and knowledge obtained during the audit of the financial statements, and whether such matters are appropriately disclosed in the MD&A; extend procedures if the inherent risk relating to completeness of disclosures is high.
Consider the effect of events subsequent to the balance-sheet date.	Yes	Yes	Yes
Obtain written representations from management.	Yes	Yes	Yes

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Activities	SAS No. 118 (AU-C section 720B)	Review	Examination
Form a conclusion and report.	The auditor has no reporting responsibility with respect to MD&A unless the auditor concludes that there is a material inconsistency in the MD&A that has not been eliminated. In such a situation, the auditor may add an other matter paragraph to the auditor's report on the audited financial statements describing the material inconsistency or withhold the auditor's report.	Form a conclusion based on the results of the preceding procedures and report in the form of negative assurance.	Form an opinion based on the results of the preceding procedures and report conclusion by expressing an opinion.
	If, while reading the MD&A, the auditor becomes aware of an apparent material misstatement of fact, the auditor should discuss such matter with management and take other actions based on management's response.		

[Revised, December 2010, to reflect conforming changes necessary due to the issuance of SAS Nos. 118–120. Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

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AT-C Exhibits

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Exhibit

List of AT-C Sections Designated by Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification, Cross Referenced to List of AT Sections

Part I—AT-C Section to AT Section Cross References

AT-C Sections Designated by SSAE No. 18[1]		***AT Sections Superseded by SSAE No. 18***	
AT-C Section	**Title**	**AT Section**	**Title**
Preface	*Preface to the Attestation Standards*	**Introduction**	*Attestation Standards—Introduction*
100	**Common Concepts**		
105	*Concepts Common to All Attestation Engagements*	20	*Defining Professional Requirements in Statements on Standards for Attestation Engagements*
		50	*SSAE Hierarchy*
101	*Attest Engagements*		
200	**Level of Service**		
205	*Examination Engagements*	101	*Attest Engagements*
210	*Review Engagements*		
215	*Agreed-Upon Procedures Engagements*	201	*Agreed-Upon Procedures Engagements*
300	**Subject Matter**		
305[2]	*Prospective Financial Information*	301	*Financial Forecasts and Projections*
310	*Reporting on Pro Forma Financial Information*	401	*Reporting on Pro Forma Financial Information*
315	*Compliance Attestation*	601	*Compliance Attestation*
320	*Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*	801	*Reporting on Controls at a Service Organization*

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AT-C Sections Designated by SSAE No. 18[1]		*AT Sections Superseded by SSAE No. 18*	
AT-C Section	**Title**	**AT Section**	**Title**
395	*Management's Discussion and Analysis*	701[3]	*Management's Discussion and Analysis*

[1]Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, contains "AT-C" section numbers instead of "AT" section numbers to avoid confusion with references to existing "AT" sections, which remain effective through April 2017.

[2]AT-C section 305, *Prospective Financial Information*, does not address compilations of prospective financial information—a service that is included in AT section 301, *Financial Forecasts and Projections*. Paragraph .01 of AR-C section 80, *Compilation Engagements*, states that AR-C section 80 (which is applicable to compilations of historical financial statements) also may be applied, adapted as necessary in the circumstances, to other historical or prospective financial information. Footnote 1 of AR-C section 80 states that the Accounting and Review Services Committee plans to expose for public comment separate proposed Statements on Standards for Accounting and Review Services that would provide requirements and guidance to accountants with respect to compilation engagements on pro forma or prospective financial information.

[3]The Auditing Standards Board did not clarify AT section 701, *Management's Discussion and Analysis*, because practitioners rarely perform attestation engagements to report on management's discussion and analysis prepared pursuant to the rules and regulations adopted by the SEC. AT section 701 will be retained in its current unclarified format as AT-C section 395, *Management's Discussion and Analysis*, until further notice.

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Part II—AT Section to AT-C Section Cross References

AT Sections Superseded by SSAE No. 18		AT-C Sections Designated by SSAE No. 18 [1]	
AT Section	**Title**	**AT-C Section**	**Title**
20	*Defining Professional Requirements in Statements on Standards for Attestation Engagements*	105	*Concepts Common to All Attestation Engagements*
50	*SSAE Hierarchy*	105	*Concepts Common to All Attestation Engagements*
101	*Attest Engagements*	105	*Concepts Common to All Attestation Engagements*
		205	*Examination Engagements*
210	*Review Engagements*		
201	*Agreed-Upon Procedures Engagements*	215	*Agreed-Upon Procedures Engagements*
301	*Financial Forecasts and Projections*	305[2]	*Prospective Financial Information*
401	*Reporting on Pro Forma Financial Information*	310	*Reporting on Pro Forma Financial Information*
501	*An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements*		Statement on Auditing Standards No. 130, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*, withdraws AT section 501[3]
601	*Compliance Attestation*	315	*Compliance Attestation*
701[4]	*Management's Discussion and Analysis*	395	*Management's Discussion and Analysis*
801	*Reporting on Controls at a Service Organization*	320	*Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*

[1]Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, contains "AT-C" section numbers instead of "AT" section numbers to avoid confusion with references to existing "AT" sections, which remain effective through April 2017.

[2]AT-C section 305, *Prospective Financial Information*, does not address compilations of prospective financial information —a service that is included in AT section 301, *Financial Forecasts and Projections*. Paragraph .01 of AR-C section 80, *Compilation Engagements* , states that AR-C section 80 (which is applicable to compilations of historical financial statements) also may be applied, adapted as necessary in the circumstances, to other historical or prospective financial information. Footnote 1 of AR-C section 80 states that the Accounting and Review Services Committee plans to expose for public comment separate proposed Statements on Standards for Accounting and Review Services that would provide

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requirements and guidance to accountants with respect to compilation engagements on pro forma or prospective financial information.

[3]The issuance of Statement on Auditing Standards (SAS) No. 130, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements (AU-C sec. 940), moves the content of AT section 501, An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements, from the SSAEs to the SASs. SAS No. 130 was issued in October 2015 and becomes effective for integrated audits (audits of internal control over financial reporting that are integrated with audits of financial statements) for periods ending on or after December 15, 2016. Upon its effective date, SAS No. 130 withdraws SSAE No. 15, An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements, and related Attestation Interpretation No. 1, "Reporting Under Section 112 of the Federal Deposit Insurance Corporation Improvement Act" (AT sec. 501 and 9501).

[4]The Auditing Standards Board did not clarify AT section 701, *Management's Discussion and Analysis*, because practitioners rarely perform attestation engagements to report on management's discussion and analysis prepared pursuant to the rules and regulations adopted by the SEC. AT section 701 will be retained in its current unclarified format as AT-C section 395, *Management's Discussion and Analysis*, until further notice.

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AT-C Appendixes

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AT-C Appendix A

AICPA Guides and Statements of Position

AICPA Guides

Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures)

Prospective Financial Information

Reporting on an Entity's Cybersecurity Risk Management Program and Controls

Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1®)

SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy

SOC for Supply Chain — Reporting on an Examination of Controls Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy in a Production, Manufacturing, or Distribution System

Statements of Position — Attestation

Guidance to Practitioners in Conducting and Reporting on an Agreed-Upon Procedures Engagement to Assist Management in Evaluating the Effectiveness of Its Corporate Compliance Program	*5/99*
Performing Agreed-Upon Procedures Engagements That Address Internal Control Over Derivative Transactions as Required by the New York State Insurance Law	*6/01*
Performing Agreed-Upon Procedures Engagements That Address Annual Claims Prompt Payment Reports as Required by the New Jersey Administrative Code	*5/02*
Attestation Engagements That Address Specified Compliance Control Objectives and Related Controls at Entities That Provide Services to Investment Companies, Investment Advisers, or Other Service Providers	*10/07*
Reporting Pursuant to the 2010 Edition of the Global Investment Performance Standards	*10/12*
Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency, or Structure of XBRL-Formatted Information	*9/13*
Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services as Defined by SEC Release No. 34-72936	*10/17*
Reporting Pursuant to the 2020 Global Investment Performance Standards	*1/20*
Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services as Defined by SEC Release No. 34-72936	*6/21*

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AT-C Appendix B

Other Attestation Publications

This list identifies *other attestation publications* published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff and are, therefore, presumed to be appropriate, as indicated in paragraph .A34 of section 105, *Concepts Common to All Attestation Engagements*. These publications may be obtained at https://www.aicpa-cima.com/cpe-learning.

Technical Questions and Answers

Q&A section 9500, *Attestation Engagements*

AICPA Whitepapers

Whitepaper: *Materiality considerations for attestation engagements involving aspects of subject matters that cannot be quantitatively measured*[1]

[1]This publication is available on the AICPA website at https://www.aicpa-cima.com/resources/download/materiality-considerations-for-attestation-engagements.

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AT-C Appendix C

Schedule of Changes in Statements on Standards for Attestation Engagements[a]

Section	Paragraph	Changes	Date of Change
105	.01	Amended by SSAE No. 21.	October 2020
105	.02–.03	Amended by SSAE No. 19.	December 2019
105	.02–.03	Added by SSAE No. 21.	October 2020
105	.04	Amended by SSAE No. 21.	October 2020
105	.08–.09	Amended by SSAE No. 23.	June 2024
105	.09–.10	Amended by SSAE No. 19.	December 2019
105	.11–.14	Amended by SSAE No. 21.	October 2020
105	.11–.12	Amended by SSAE No. 23.	June 2024
105	.25	Amended by SSAE No. 19.	December 2019
105	.25	Amended by SSAE No. 23.	June 2024
105	.26–.30	Amended by SSAE No. 21.	October 2020
105	.26–.27	Added by SSAE No. 23.	June 2024
105	.29	Amended by SSAE No. 23.	June 2024
105	.31	Amended by SSAE No. 23.	June 2024
105	.34	Amended by SSAE No. 21.	October 2020
105	.35	Amended by SSAE No. 23.	June 2024
105	.36	Added by SSAE No. 21.	October 2020
105	.36	Added by SSAE No. 23.	June 2024
105	.37	Amended by SSAE No. 23.	June 2024
105	.38–.40	Added by SSAE No. 23.	June 2024
105	.41	Amended by SSAE No. 23.	June 2024
105	.42–.48	Added by SSAE No. 23.	June 2024
105	.45–.46	Amended by SSAE No. 21.	October 2020
105	.49	Amended by SSAE No. 23.	June 2024
105	.50–.56	Added by SSAE No. 23.	June 2024
105	.57	Amended by SSAE No. 23.	June 2024
105	.65	Amended by SSAE No. 23.	June 2024
105	.A1	Amended by SSAE No. 21.	October 2020
105	.A2–.A3	Amended by SSAE No. 19.	December 2019
105	.A4–.A6	Amended by SSAE No. 23.	June 2024

[a]This table lists changes resulting from Statements on Standards for Attestation Engagements (SSAEs) issued subsequent to SSAE No. 18, *Attestation Standards: Clarification and Recodification*, which was issued in April 2016.

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Section	Paragraph	Changes	Date of Change
105	.A7	Amended by SSAE No. 21.	October 2020
105	.A9–.A11	Amended by SSAE No. 21.	October 2020
105	.A13	Amended by SSAE No. 21.	October 2020
105	.A15–.A16	Amended by SSAE No. 21.	October 2020
105	.A17–.A18	Added by SSAE No. 23.	June 2024
105	.A20	Added by SSAE No. 23.	June 2024
105	.A27–.A31	Amended by SSAE No. 21.	October 2020
105	.A34	Amended by SSAE No. 21.	October 2020
105	.A35	Added by SSAE No. 19.	December 2019
105	.A37	Added by SSAE No. 19.	December 2019
105	.A39	Amended by SSAE No. 19.	December 2019
105	.A37–.A40	Added by SSAE No. 23.	June 2024
105	.A41	Amended by SSAE No. 19.	December 2019
105	.A36–.A45	Amended by SSAE No. 21.	October 2020
105	.A51–.A53	Amended by SSAE No. 21.	October 2020
105	.A56	Amended by SSAE No. 19.	December 2019
105	.A56–.A57	Amended by SSAE No. 21.	October 2020
105	.A59	Amended by SSAE No. 21.	October 2020
105	.A61–.A63	Amended by SSAE No. 21.	October 2020
105	.A66	Amended by SSAE No. 21.	October 2020
105	.A66–.A67	Amended by SSAE No. 23.	June 2024
105	.A72	Amended by SSAE No. 21.	October 2020
105	.A68–.A74	Added by SSAE No. 23.	June 2024
105	.A76	Amended by SSAE No. 21.	October 2020
105	.A76–.A78	Amended by SSAE No. 23.	June 2024
105	.A79–.A95	Added by SSAE No. 23.	June 2024
105	.A98	Amended by SSAE No. 23.	June 2024
205	.A17	Amended by SSAE No. 20.	December 2019
205		Superseded by SSAE No. 21.	October 2020
205	.39–.40	Amended by SSAE No. 23.	June 2024
205	.89	Amended by SSAE No. 23.	June 2024
205	.A13	Amended by SSAE No. 23.	June 2024
205	.A39	Amended by SSAE No. 23.	June 2024
205	.A47	Amended by SSAE No. 23.	June 2024
205	.A53	Amended by SSAE No. 23.	June 2024
205	.A127	Amended by SSAE No. 23.	June 2024
205	[.A129]	Deleted by SSAE No. 23.	June 2024
206		Added by SSAE No. 21.	October 2020
210	.65	Amended by SSAE No. 23.	June 2024
210	.A12	Amended by SSAE No. 23.	June 2024
210	.A16	Amended by SSAE No. 20.	December 2019

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Section	Paragraph	Changes	Date of Change
210	.A106	Amended by SSAE No. 23.	June 2024
210	[.A108]	Deleted by SSAE No. 23.	June 2024
215		Superseded by SSAE No. 19	December 2019
215	.21	Amended by SSAE No. 23.	June 2024
215	.42	Amended by SSAE No. 23.	June 2024

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References are to AT-C section and paragraph numbers.

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