

## AT-C Section 205A<sup>\*</sup>

### ***Examination Engagements***

Source: SSAE No. 18; SSAE No. 20.

See section 9205A for interpretations of this section.

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

#### **Introduction**

.01 This section contains performance and reporting requirements and application guidance for all examination engagements. The requirements and guidance in this section supplement the requirements and guidance in section 105, *Concepts Common to All Attestation Engagements*.

#### **Effective Date**

.02 This section is effective for practitioners' examination reports dated on or after May 1, 2017.

#### **Objectives**

.03 In conducting an examination engagement, the objectives of the practitioner are to

- 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; and
- 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:

**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

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\* 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.

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 Examination Engagement

.05 In performing an 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 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 and report on the subject matter or assertion.<sup>1</sup> When the practitioner is not independent but is required by law or regulation to accept the engagement and report on the subject matter or assertion, the practitioner should disclaim an opinion and should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to 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
- 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 American Institute of Certified Public Accountants
- d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different
- e. A statement about the inherent limitations of an examination engagement (Ref: par. .A4)

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

- 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

**.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 subject matter against the criteria. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .82 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 .84 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. .A5–.A8 and .A97)

## 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. .A9–.A12)

**.12** In establishing the overall engagement strategy, the practitioner should

- 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;
- 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; and
- 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 .21)
- 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 (Ref: par. .A13–.A14)

- a. enable the practitioner to identify and assess the risks of material misstatement in the subject matter and
- 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.

## Materiality in Planning and Performing the Engagement

.16 When establishing the overall engagement strategy, the practitioner should consider materiality for the subject matter. (Ref: par. .A15–.A21)

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

## Identifying Risks of Material Misstatement

.18 The practitioner should identify and assess risks of material misstatement as the basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .A22–.A23)

- a. are responsive to assessed risks of material misstatement and
- b. allow the practitioner to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects.

## Responding to Assessed Risks and Obtaining Evidence

.19 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.

.20 The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter or assertion. (Ref: par. .A24–.A25)

## Further Procedures

.21 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.

.22 In designing and performing further procedures in accordance with paragraph .21, the practitioner should

- 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, and
- b. obtain more persuasive evidence the higher the practitioner's assessment of risk.

**.23** When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If

- a. evidence obtained from one source is inconsistent with that obtained from another,
- b. the practitioner has doubts about the reliability of information to be used as evidence, or
- c. responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible),

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***

**.24** The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if

- 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; or
- c. the subject matter is internal control.

**.25** 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***

**.26** 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**

**.27** When designing and performing analytical procedures in response to assessed risks, the practitioner should (Ref: par. .A26–.A27)

- 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; and
- 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).

**.28** 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

- a. inquiring of the responsible party and obtaining additional evidence relevant to its responses and
- b. performing other procedures as necessary in the circumstances.

**Procedures Regarding Estimates**

**.29** Based on the assessed risks of material misstatement, the practitioner should evaluate whether

- a. the responsible party has appropriately applied the requirements of the criteria relevant to any estimated amounts and
- b. the methods for making estimates are appropriate and have been applied consistently and whether changes, if any, in reported estimates or in the method for making them from the prior period, if applicable, are appropriate in the circumstances.

**.30** 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.
- 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**

**.31** 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 (Ref: par. .A28)

- 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, and
- 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**

**.32** The practitioner should

- 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.
- b. make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.
- 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.

**.33** 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. .A29–.A30)

## Revision of Risk Assessment

**.34** The practitioner's assessment of the risks of material misstatement may change during the course of the engagement as additional evidence is obtained. In circumstances in which the practitioner obtains evidence from performing further procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner should revise the assessment and modify the planned procedures accordingly. (Ref: par. .A31–.A32)

## Evaluating the Reliability of Information Produced by the Entity

**.35** 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. .A33–.A34)

- 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

**.36** When the practitioner expects to use the work of a practitioner's specialist, the practitioner should do the following:

- a. Evaluate whether the practitioner's specialist has the necessary competence, capabilities, and objectivity for the practitioner's purposes. In the case of a practitioner's external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner's specialist. (Ref: par. .A38–.A41)
- b. Obtain a sufficient understanding of the field of expertise of a practitioner's specialist to enable the practitioner to (Ref: par. .A42)
  - 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. .A43)
  - 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;
  - 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.
- .37** 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.

**.38** 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.<sup>2</sup>)

- a. The significance of that specialist's work in the context of the engagement (See also paragraphs .A35–.A36.)
- 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 control policies and procedures (see also paragraph .A37)

## Using the Work of Internal Auditors

**.39** When the practitioner expects to use the work of the internal audit function in obtaining evidence or to use internal auditors to provide direct assistance, the practitioner should determine whether the work can be used for purposes of the examination by evaluating (Ref: par. .A44–.A46)

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<sup>2</sup> Paragraph .32 of section 105.

- 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; and
- c. when using the work of the internal audit function, the application by the internal audit function of a systematic and disciplined approach, including quality control.

**.40** When using the work of the internal audit function, the practitioner should perform sufficient procedures on the body of work of the internal audit function as a whole that the practitioner plans to use to determine its adequacy for the purpose of the examination engagement, including reperforming some of the body of work of the internal audit function that the practitioner intends to use in obtaining evidence.

**.41** Prior to using internal auditors to provide direct assistance, the practitioner should obtain written acknowledgment from the responsible party that internal auditors providing direct assistance to the practitioner will be allowed to follow the practitioner's instructions, and that the responsible party will not intervene in the work the internal auditor performs for the practitioner.

**.42** When using internal auditors to provide direct assistance to the practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.

**.43** Because the practitioner has sole responsibility for the opinion expressed, the practitioner should make all significant judgments in the examination engagement, including when to use the work of the internal audit function in obtaining evidence. To prevent undue use of the internal audit function in obtaining evidence, the practitioner should plan to use less of the work of the function and perform more of the work directly:

- 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; and
- d. the lower the level of competence of the internal audit function.

**.44** Before the conclusion of the engagement, the practitioner should evaluate whether the use of the work of the internal audit function or the use of internal auditors to provide direct assistance results in the practitioner still being sufficiently involved in the examination given the practitioner's sole responsibility for the opinion expressed.

## Evaluating the Results of Procedures

**.45** The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. .A47–.A48)

**.46** 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. .A49–.A53)

**.47** If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner's opinion in paragraphs .68–.84.

## Considering Subsequent Events and Subsequently Discovered Facts

**.48** The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the examination engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion and should apply other appropriate procedures to obtain evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A54–.A56)

**.49** The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A57–.A58)

## Written Representations

**.50** 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. .A59–.A62)

- a. include the responsible party's assertion about the subject matter based on the criteria. (Ref: par. .A97)
- 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 assertion;
  - ii. selecting the criteria, when applicable; and
  - iii. determining that such criteria are appropriate for the responsible party's purposes.
- e. 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. .A61)

- f.* state that it has provided the practitioner with all relevant information and access.
- g.* 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. .A62)
- h.* if applicable, state that significant assumptions used in making any material estimates are reasonable.
- i.* 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.

**.51** When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .50 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .50. (Ref: par. .A63)

**.52** 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 subject matter and assertion.
- 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 appropriate for its purposes.
- d.* state that the engaging party is not aware of any material misstatements in the subject matter 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. .A61)
- f.* address other matters as the practitioner deems appropriate.

**.53** 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.

**.54** 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

**.55** 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 (Ref: par. .A64)

- a.* discuss the matter with the appropriate party(ies);
- b.* reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general; and
- c.* if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action.

**.56** 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 .51 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 .65–.66 contain requirements for the contents of such a paragraph.) (Ref: par. .A63 and .A65)
- b.* if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .51, a scope limitation exists, and the practitioner should determine the effect on the report, or the practitioner should withdraw from the engagement. (Ref: par. .A66)

## Other Information

**.57** 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 the report. If upon reading the other information, in the practitioner's professional judgment (Ref: par. .A67–.A68)

- a.* a material inconsistency between that other information and the subject matter, assertion, or the report exists or
- b.* a material misstatement of fact exists in the other information, the subject matter, assertion, or the report

the practitioner should discuss the matter with the responsible party and take further action as appropriate.

## Description of Criteria

**.58** The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A69–.A70)

## Forming the Opinion

**.59** 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. .A71)
- b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A72)

**.60** 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. .A73–.A74)

## Preparing the Practitioner's Report

**.61** The practitioner's report should be in writing. (Ref: par. .A75–.A76)

**.62** A practitioner should report on a written assertion or should report directly on the subject matter. If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report. (Ref: par. .A77)

## 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 .63f, and .63g should be omitted:

- a. A title that includes the word *independent*. (Ref: par. .A78)
- 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. .A79)
- e. A statement that identifies (Ref: par. .A80–.A81)
  - i. the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion, and
  - ii. the practitioner's responsibility to express an opinion on the subject matter or assertion, based on the practitioner's examination.
- f. A statement that
  - i. the practitioner's examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.
  - 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 .A82) 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.
- g.* A description of the nature of an examination engagement. (Ref: par. .A83–.A85)
  - h.* A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A86)
  - i.* The practitioner's opinion about whether (Ref: par. .A87–.A90)
    - 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.
  - j.* The manual or printed signature of the practitioner's firm.
  - k.* The city and state where the practitioner practices. (Ref: par. .A91)
  - l.* The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner's opinion, including evidence that
    - i. the attestation documentation has been reviewed,
    - ii. if applicable, the written presentation of the subject matter has been prepared, and
    - iii. the responsible party has provided a written assertion or, in the circumstances described in paragraph .A66, an oral assertion.)

### **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. .A94–.A97)

- 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 .50, but does provide oral responses to the practitioner's inquiries about the matters in paragraph .50, as provided for in paragraph .51 and .56*a*. In this case, the use of the practitioner's report should be restricted to the engaging party. (Ref: par. .A97)

**.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. .A98)
- c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A99–.A101)

**.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

## Reference to the Practitioner's Specialist

**.67** The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified opinion. (Ref: par. .A102)

## Modified Opinions

**.68** 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. .A103–.A104)

- 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.

**.69** 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(s) giving rise to the modification.

**.70** The practitioner should express a qualified opinion when (Ref: par. .A105–.A109)

- 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 or
- 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.

**.71** 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(s) giving rise to the modification, the subject matter is presented 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.



**.72** 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.

**.73** When the practitioner expresses an adverse opinion, the practitioner should state that, in the practitioner's opinion, because of the significance of the matter(s) giving rise to the modification, the subject matter is not presented in accordance with (or based on) the criteria, in all material respects.

**.74** 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. .A110)

**.75** When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner's report should state that

- a. because of the significance of the matter(s) giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for an examination opinion and
- 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***

**.76** 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***

**.77** When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner should amend the practitioner's report to state that the practitioner was engaged to examine the subject matter (or assertion). The practitioner should also amend the description of the practitioner's responsibility and the description of an examination to state only the following:

Our responsibility is to express an opinion on the subject matter (or assertion) based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the subject matter is in accordance with (or based on) the criteria, in all material respects.

**.78** If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter(s) that causes the subject matter to be materially misstated, the practitioner should include in the practitioner's report a clear description of both the scope limitation and the matter(s) that causes the subject matter to be materially misstated.

**.79** 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.

**.80** 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.

**.81** 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

**.82** 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.

**.83** If law or regulation does not allow the practitioner to withdraw from the engagement, the practitioner should disclaim an opinion.

**.84** 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. .A111–.A113)

## Communication Responsibilities

**.85** 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. .A114)

**.86** If the practitioner has identified or suspects noncompliance with laws or regulations that are not relevant to the subject matter, the practitioner should determine whether the practitioner has a responsibility to report the identified or suspected noncompliance to parties other than the responsible party and the engaging party (if different). (Ref: par. .A115–.A116)

## Documentation

**.87** The practitioner should prepare engagement documentation that is sufficient to determine (Ref: par. .A117–.A120)

- a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including
  - 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 findings or issues that, in the practitioner's professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place;
  - 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 .55;
  - 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 .50, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .50, in accordance with paragraph .51; and
  - vi. who reviewed the engagement work performed and the date and extent of such review.
- b. the results of the procedures performed and the evidence obtained.

**.88** If the practitioner identified information that is inconsistent with the practitioner's final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.

**.89** If, in circumstances such as those described in paragraph .49, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document

- a. the circumstances encountered;
- b. the new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the report; and
- c. when and by whom the resulting changes to the documentation were made and reviewed.

## Application and Other Explanatory Material

### Conduct of an 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, .08b, and .08e)

**.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** 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."

### **Requesting a Written Assertion (Ref: par. .10)**

**.A5** The language of the responsible party's written assertion in paragraph .10 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 .10 include the following:

- The entity maintained effective internal control over the subject matter based on the criteria.
- 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.

**.A6** 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(s) still applies.

**.A7** Paragraph .50a 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 .50a, the practitioner need not request a separate written assertion unless a separate written assertion is called for by the engagement circumstances.

**.A8** 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. Regardless of the procedures performed by the practitioner, the responsible party is required to

accept responsibility for its assertion and the subject matter and may not base its assertion solely on the practitioner's procedures.<sup>3</sup>

## Planning and Performing the Engagement (Ref: par. .11)

**.A9** 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 to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner's specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

- The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the criteria
- The expected timing and the nature of the communications required
- The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant
- The engagement process, including possible sources of evidence, and choices among alternative measurement or evaluation methods
- The practitioner's understanding of the appropriate party(ies) and its (their) environment, including the risks that the subject matter 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

**.A10** The practitioner may decide to discuss elements of planning with the appropriate party(ies) to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work

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<sup>3</sup> The "Nonattest Services" subtopic (ET sec. 1.295) of the AICPA Code of Professional Conduct addresses the practitioner's provision of nonattest services for an attest client.

of the responsible party's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

**.A11** Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or 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.

**.A12** 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)

**.A13** 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

- 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.

**.A14** In assessing inherent risk, the practitioner may consider factors relevant to examination engagements, such as the following:

- The complexity of the subject matter or assertion
- 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. .16)

**.A15** 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.

**.A16** Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the level of assurance, that is, for the same intended users, materiality for an examination engagement is the same as it is for a review engagement because materiality is based on the information needs of intended users and not the level of assurance.

**.A17** 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 examined to appropriate levels of materiality and 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. [As amended, effective for practitioners' examination reports dated on or after December 15, 2020, by SSAE No. 20.]

**.A18** 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, 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

**.A19** 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 examination involves the effectiveness of the control.

**.A20** 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.

**.A21** 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 .A15–.A20. 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. .18)**

**.A22** Most of the practitioner's work in forming an opinion consists of obtaining and evaluating evidence. Procedures to obtain evidence can include inspection, observation, confirmation, recalculation, reperformance, and analytical procedures, often in some combination, in addition to inquiry.

**.A23** 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. .20)**

**.A24** Overall responses to address the assessed risks of material misstatement of the subject matter or assertion may include



- 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; and
- 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).

**.A25** 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

- 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, and
- increasing the number of locations to be included in the examination scope.

## Further Procedures

### ***Analytical Procedures Performed in Response to Assessed Risks (Ref: par. .27)***

**.A26** 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.

**.A27** 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. .31)***

**.A28** 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. .33)

**.A29** 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,

- discuss the matter with the appropriate party(ies).
- 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.

**.A30** The actions noted in paragraph .A29 also may 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 the practitioner

- a. 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 .68a and .77 apply, or
- b. concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraph .68b applies.

## Revision of Risk Assessment (Ref: par. .34)

**.A31** Information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter if appropriate.

**.A32** The practitioner may become aware of a matter(s) 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. .35)

**.A33** Reliable information is sufficiently accurate and complete.

**.A34** 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

### *Integrating the Work of a Practitioner's Specialist (Ref: par. .38a)*

**.A35** 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.

**.A36** 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 .36 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner's specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment.

### *The Practitioner's Firm's Quality Control Policies and Procedures (Ref: par. .38e)*

**.A37** Engagement teams are entitled to rely on their own firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner's procedures with respect to matters, such as the following:

- Competence and capabilities, through recruitment and training programs
- 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 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.

***The Competence, Capabilities, and Objectivity of a Practitioner's Specialist (Ref: par. .36a)***

**.A38** 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 control policies and procedures

**.A39** Although a practitioner's specialist does not require the same proficiency as the practitioner in performing all aspects of an examination engagement, a practitioner's specialist whose work is used may need a sufficient understanding of relevant AT-C sections to enable that specialist to relate the work assigned to that specialist to the engagement objective.

**.A40** The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the practitioner's specialist and the significance of the specialist's work in the context of the engagement. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if in an examination engagement a practitioner's specialist is an individual who has played a significant role in measuring, evaluating, or disclosing the subject matter.

**.A41** When evaluating the objectivity of a practitioner's external specialist, it may be relevant to

- inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the practitioner's external specialist that may affect that specialist's objectivity.
- 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(ies) of which that specialist is aware.

***Obtaining an Understanding of the Field of Expertise of a Practitioner's Specialist (Ref: par. .36b)***

.A42 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
- The nature of internal and external data or information the practitioner's specialist uses

***Agreement With a Practitioner's Specialist (Ref: par. .36c)***

.A43 The matters noted in paragraph .A37 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.

***Using the Work of Internal Auditors (Ref: par. .39)***

.A44 Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it is performed by the entity or a third-party service provider are sole determinants of whether or not the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.

.A45 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.

.A46 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 so, 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. .45–.46)

**.A47** 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 .59b)

**.A48** "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.

**.A49** Sufficient appropriate evidence is necessary to support the practitioner's opinion and report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party(ies). *Evidence* comprises both information that supports and corroborates aspects of the subject matter and any information that contradicts aspects of the subject matter. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is considered by the practitioner and, therefore, also constitutes evidence.

**.A50** 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.

**.A51** *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(ies).
- 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).
- 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.

**.A52** 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.

**.A53** 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. .48–.49)

**.A54** For certain subject-matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.

**.A55** 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.

**.A56** 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 practitioner's report and modifying the practitioner's opinion.
- withdrawing from the engagement.

**.A57** 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 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(ies) and requesting the appropriate party(ies)'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(ies) 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.

**.A58** Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party(ies) 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(ies) 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. .50–.51, .52e, and .56a)**

**.A59** Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics.

**.A60** 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.

**.A61** 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.

**.A62** A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.

**.A63** Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .51 and .56a (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. .55–.56)

**.A64** In the situation discussed in paragraph .55, the refusal to furnish such evidence in the form of written representations constitutes a limitation on the scope of an examination sufficient to preclude an unmodified opinion and may be sufficient to cause the practitioner to withdraw from the engagement.

**.A65** Even when the responsible party provides oral responses to the matters in paragraph .50, 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.

**.A66** 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 .50*a*, application of paragraph .56*a* requires the practitioner to obtain an oral assertion when a written assertion is not obtained. Paragraph .56*b* applies when the responsible party provides neither a written nor an oral assertion.

## Other Information (Ref: par. .57)

**.A67** 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(ies) to consult with a qualified third party, such as the appropriate party(ies)'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

**.A68** Other information does not include information contained on the appropriate party(ies)'s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .57.

## Description of Criteria (Ref: par. .58)

**.A69** 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.

**.A70** 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. .59–.60)

**.A71** 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
- The persuasiveness of the evidence
- The practitioner's understanding of the responsible party and its environment

**.A72** An examination engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner's attention, for example

- 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.

**.A73** In making the evaluation required by paragraph .60, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include

- 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; and
- whether there have been any changes in the measurement or evaluation methods used.

**.A74** Paragraph .60 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. .61–.62)

**.A75** 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.

**.A76** This section does not require a standardized format for reporting on all examination engagements. Instead, it identifies the basic elements that the practitioner's report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.

**.A77** All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .79 exist:

<i>The practitioner's report may state that the practitioner examined</i>	<i>and</i>	<i>expresses an opinion on</i>
the subject matter		the subject matter
the responsible party's assertion		the responsible party's assertion
the responsible party's assertion		the subject matter

## Content of the Practitioner's Report

### **Title (Ref: par. .63a)**

**.A78** 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)**

**.A79** 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 .A73.

### **Relevant Responsibilities (Ref: par. .63e)**

**.A80** 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.

**.A81** 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. .63f(ii)(1))***

**.A82** The language in paragraph .63f(ii)(1) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .63f(ii)(1) include, "to obtain reasonable assurance about whether

- the entity maintained effective internal control over the subject matter, based on the criteria, in all material respects."
- 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 Examination Engagement (Ref: par. .63g)***

**.A83** A description of the nature of an examination engagement may state, for example, that

- 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 or assertion.
- in making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.

**.A84** 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.

**.A85** 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 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 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.

### ***Inherent Limitations (Ref: par. .63h)***

**.A86** In some cases, identification of specific inherent limitations is required by an AT-C section. For example, section 305, *Prospective Financial Information*, requires that the practitioner's report include a statement indicating that the prospective results may not be achieved.<sup>4</sup> To implement that requirement, the illustrative practitioner's 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."<sup>5</sup> 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. .63i)***

**.A87** 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.").

**.A88** The language of the practitioner's opinion in paragraph .63i(i) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .63i(i) include the following:

- The entity maintained effective internal control over the subject matter, in all material respects, based on the criteria.
- The subject matter is presented in accordance with (or based on) the criteria, in all material respects.

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<sup>4</sup> Paragraph .32i of section 305, *Prospective Financial Information*.

<sup>5</sup> Example 1 in paragraph .A43 of section 305.

- 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.)

**.A89** 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).

**.A90** 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, or in the report, even if the subject matter for the preceding date or period is not presented.

#### ***Location (Ref: par. .63k)***

**.A91** 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. .63l)***

**.A92** 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.

**.A93** 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, .50, .64, and .65b–c)***

**.A94** 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.

**.A95** 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.

**.A96** A practitioner may also issue a single combined practitioner's report that includes (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.

**.A97** The written representations required by paragraph .50 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 .64c calls for an alert that restricts the use of the practitioner's report to the engaging party.

**.A98** 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.

**.A99** 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.

**.A100** 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.

**.A101** 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. .67)**

**.A102** 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.

## **Modified Opinions (Ref: par. .68, .70, and .74)**

**.A103** 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

**.A104** 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.

**.A105** 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.

**.A106** 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.

<b><i>Nature of Matter Giving Rise to the Modification</i></b>	<b><i>Practitioner's Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter</i></b>	
	<b><i>Material but Not Pervasive</i></b>	<b><i>Material and Pervasive</i></b>
Scope limitation. An inability to obtain sufficient appropriate evidence.	Qualified opinion	Disclaimer of opinion
Subject matter is materially misstated.	Qualified opinion	Adverse opinion

**.A107** A scope limitation may arise from the following:

- a. Circumstances beyond the control of the appropriate party(ies). For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.
- b. Circumstances relating to the nature or timing of the practitioner's work. For example, a physical process that the practitioner considers necessary to observe may have occurred before the practitioner's engagement.
- c. Limitations imposed by the responsible party or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure that the practitioner



considers necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of risks of material misstatement and engagement acceptance and continuance.

**.A108** 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 .51 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 .56a indicates this would not cause a scope limitation. Further, paragraph .56a requires that the practitioner's report in these circumstances contain an alert paragraph that restricts the use of the report to the engaging party.

**.A109** 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 procedure(s) on the practitioner's ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the subject matter or assertion.

**.A110** 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. .84)**

**.A111** The following is an example of the disclosure required by paragraph .84:

Attestation standards established by the American Institute of Certified Public Accountants 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.

**.A112** The practitioner's report discussed in paragraph .84 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.

**.A113** 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, qualify or disclaim an opinion, the practitioner need not restrict the use of the practitioner's report but is required by paragraph .69 to describe the matter that gave rise to the modified opinion. Paragraph .A94 notes, however, that the practitioner is not precluded from restricting the use of any report.

## **Communication Responsibilities (Ref: par. .85–.86)**

**.A114** 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. (Ref: par. .85)

**.A115** The practitioner's professional duty to maintain the confidentiality of client information may preclude the practitioner from reporting identified or suspected noncompliance with laws or regulations that is not relevant to the

subject matter to a party other than the responsible party and, if different, the engaging party. However, the practitioner's legal responsibilities may vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, the law, or courts of law. In the following circumstances, a duty to notify parties outside the entity may exist:

- In response to a court order
- In compliance with requirements for examinations of entities that receive financial assistance from a government agency

Because potential conflicts with the practitioner's ethical and legal obligations for confidentiality may be complex, the practitioner may consult with legal counsel before discussing noncompliance with parties outside the entity. (Ref: par. .86)

**.A116** If the practitioner is performing an 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 examination. The practitioner also may be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies. (Ref: par. .86)

### **Documentation (Ref: par. .87)**

**.A117** Documentation includes a record of the practitioner's reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

**.A118** 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.

**.A119** In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.

**.A120** Documentation ordinarily includes a record of

- 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 course of the engagement.

.A121

## Exhibit—Illustrative Practitioner’s Examination Reports

The illustrative practitioner's examination reports in this exhibit meet the applicable reporting requirements in paragraphs .61–.84. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements in paragraphs .61–.84. 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*.)

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

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

#### Independent Accountant's Report

*[Appropriate Addressee]*

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

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

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

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

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

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

*[Appropriate Addressee]*

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

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

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

**Independent Accountant's Report**

*[Appropriate Addressee]*

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

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

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

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

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

**Independent Accountant's Report**

[Appropriate Addressee]

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

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

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

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

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

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

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

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

The following is an illustrative practitioner's report for an examination engagement in which the practitioner expresses a qualified opinion because conditions

exist that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter based on (or in certain engagements, deviations from, exceptions to, or instances of noncompliance with) the criteria. The practitioner has examined the subject matter and is reporting on the subject matter. Paragraph .79 states, "If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and should express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement."

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

*[Appropriate Addressee]*

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

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

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

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

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

The following is an illustrative practitioner's report for an examination engagement in which the practitioner was engaged to report on the subject matter but is disclaiming an opinion because of a scope limitation. (See paragraphs .68–.84 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]. Our responsibility is to express an opinion on [identify the subject matter; for example, the schedule of investment returns] based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

[The report should omit statements

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

[Include a paragraph to describe scope limitations.]

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

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]