EXPOSURE DRAFT

PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS

COMMON CONCEPTS, EXAMINATION ENGAGEMENTS, REVIEW ENGAGEMENTS, AND ENGAGEMENTS TO REPORT ON SUSTAINABILITY INFORMATION

(AICPA,* Professional Standards, *AT-C secs. 325 and 330;

Supersedes Statements on Standards for Attestation Engagements [SSAEs]:

- ***No. 18,* Attestation Standards: Clarification and Recodification*, as amended,***
  - ***Section 105,* Concepts Common to All Attestation Engagements *[AICPA,* Professional Standards*, AT-C sec. 105]***
- ***No. 21,* Direct Examination Engagements*, as amended***
  - ***Section 205,* Assertion-Based Examination Engagements *[AICPA,* Professional Standards*, AT-C sec. 205]***
- ***No. 22,* Review Engagements*, as amended [AICPA,* Professional Standards*, AT-C sec. 210])***

February 26, 2026

Comments are requested by June 30, 2026.

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

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I. Introduction

This memorandum provides background to proposed Statement on Standards for Attestation Engagements (SSAE) *Common Concepts, Examination Engagements, Review Engagements, and Engagements to Report on Sustainability Information* (hereinafter referred to as the *proposed SSAE* for purposes of this memorandum). SSAEs are codified in AICPA *Professional Standards* as clarified attestation (AT-C) sections.[1] The explanatory memorandum addresses

- proposed revisions to AT-C sections 105, *Concepts Common to All Attestation Standards*; 205, *Assertion-Based Examination Engagements*; and 210, *Review Engagements* (collectively, the baseline attestation standards); and
- the development of two new subject-matter sections to address examination and review engagements to report on sustainability information, respectively (the proposed sustainability information AT-C sections). The subject-matter sections are
  - — proposed AT-C section 325, *Reporting on an Examination of Sustainability Information,* and
  - — proposed AT-C section 330, *Reporting on a Review of Sustainability Information.*

If issued as final, the proposed SSAE will supersede the following SSAEs:

- No. 18, *Attestation Standards: Clarification and Recodification*, as amended,
  - — section 105, *Concepts Common to All Attestation Engagements* (AT-C sec. 105)
- No. 21, *Direct Examination Engagements*, as amended,
  - — Section 205, *Assertion-Based Examination Engagements* (AT-C sec. 205)
- No. 22, *Review Engagements*, as amended (AT-C sec. 210)

II. Background

A. ASB Mission and Task Forces

The mission of the Auditing Standards Board (ASB) is to serve the public interest by developing, maintaining, and communicating comprehensive auditing, attestation, and quality management standards and practice guidance that enable practitioners to provide high-quality, objective audit and attestation services effectively and efficiently. The ASB carries out its standard-setting activities with the assistance of task forces. This proposed SSAE has been developed with the Attestation Standards Task Force (ASTF), a preexisting task force, which addressed matters

[1] All AT-C sections can be found in AICPA *Professional Standards*.

related to the existing suite of attestation standards, and the ESG Task Force (ETF), which was constituted specifically to address the development of the proposed sustainability information AT-C sections. The ASTF and ETF have worked closely together to advance standard-setting activities under the direction of the ASB that have resulted in the issuance of this proposed SSAE.

B. Why the ASB Has Developed This Proposed SSAE

1. Overview

The ASB has been a leader with respect to setting attestation standards in the United States since the issuance of SSAE No. 1, *Attestation Standards,* in 1986. These foundational standards have since been clarified and updated through various SSAEs, most notably with the major revisions in SSAE No. 18, *Attestation Standards: Clarification and Recodification,* issued in April 2016.

Because the external reporting landscape is continuously evolving, many users of reports are increasingly looking for information beyond financial statements (for example, information about digital assets, sustainability, cybersecurity, governance, and related controls) and seeking assurance thereon. Accordingly, practitioners are adapting their services to meet the increasingly complex needs of the marketplace. In order to meet these challenges, the attestation standards need to evolve as appropriate to meet changing demands.

The revisions in this proposed SSAE are intended to be responsive to the call by stakeholders (including practitioners, engaging parties, responsible parties, intended users, and regulators) for standard-setting action to enhance the attestation standards and to develop new sustainability information AT-C sections. Throughout the development of this proposed SSAE, the ASB has remained committed to developing standards that enable practitioners to provide high-quality, objective attestation services effectively and efficiently.

2. Reasons for Embarking on the Project

a. Maintain, Including by Enhancing or Clarifying, the Baseline Attestation Standards

The attestation standards, as clarified and recodified by SSAE No. 18, were designed to be a self-contained suite of performance and reporting requirements for practitioners performing attestation engagements; that is, the SSAEs are intended to be read and applied without needing to refer to other standards in AICPA *Professional Standards*, such as the Statements on Auditing Standards (SASs) or Statements on Standards for Accounting and Review Services (SSARSs), [2] to understand the requirements of the SSAEs. In developing SSAE No. 18, the ASB considered the draft of proposed International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, as

[2] Statements on Auditing Standards (SASs) are codified as AU-C sections (commonly referred to as generally accepted auditing standards [GAAS]), and Statements on Standards for Accounting and Review Services (SSARSs) are codified as AR-C sections, respectively, in AICPA *Professional Standards*.

well as other standards in AICPA *Professional Standards*, including relevant SASs and SSARSs.

Since the release of SSAE No. 18 (that is, post-clarity), the ASB has issued five more SSAEs:

- No. 19, *Agreed-Upon Procedures Engagements*
- No. 20, *Amendments to the Description of the Concept of Materiality*
- No. 21, *Direct Examination Engagements*
- No. 22, *Review Engagements*
- No. 23, *Amendments to the Attestation Standards for Consistency With the Issuance of AICPA Standards on Quality Management*

However, prior to this proposed SSAE, the ASB had not undertaken a project to consider, in the attestation standards, other updates to AICPA *Professional Standards,* specifically those relating to the SASs or SSARSs.

Further, based on feedback from the AICPA's Assurance Services Executive Committee (ASEC), and other task forces and committees, a list of high-priority topics[3] that warranted consideration for inclusion in the attestation standards was discussed with the ASB in July 2022. Standard setting was encouraged to address these high-priority topics, in part due to expanding subject matters (for example, sustainability information, digital assets and the associated underlying blockchain technology), and the need for assurance thereon. See appendix A for the list of high-priority topics and where they may have been addressed in the proposed SSAE.

Though the attestation standards were meant to be self-contained, the expansion of subject matters and issuance of new SASs have highlighted the need to maintain, by enhancing or clarifying, the baseline attestation standards. Currently, practitioners often refer to other sets of standards in AICPA *Professional Standards* for guidance during attestation engagements, but this workaround is not ideal and may result in inappropriate diversity in practice.

The proposed revisions to the baseline attestation standards are therefore intended to focus on the

- high-priority topics and
- other changes that may be necessary to support the subject-matter AT-C sections, including the development of new subject-matter AT-C sections addressing engagements to report on sustainability information.

In doing so, this proposed SSAE also addresses the need to maintain the attestation standards as a suite of self-contained performance and reporting requirements.

b. Develop Sustainability Information AT-C Sections

[3] The high-priority topics are, in many instances, consistent with certain of the topics addressed by SAS Nos. 132–149 that were issued after the finalization of SSAE No. 18.

The ASB has long played a prominent role in the U.S. with respect to issuing high-quality guidance related to sustainability matters.[4] AICPA Guide[5] *Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures)* (the sustainability guide) most recently updated in December 2022, is currently one of the primary resources for U.S. CPAs when performing attestation engagements to report on sustainability information. However, given the increasing focus (in the U.S. and worldwide) on environmental, social, and governance issues, as well as the issuance in November 2024 by the International Auditing and Assurance Standards Board (IAASB) of International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements,* there has been an increasing demand from U.S. stakeholders for additional standards and guidance with respect to reporting on sustainability information.

3. Project Plan

Consequently, the ASB approved the standard-setting project plan *Reporting on Sustainability Information* at its May 2023 meeting. Prior to moving forward with the project, the ASB considered the actions undertaken by the AICPA and others to understand the expanding need for practitioner requirements and guidance for reporting on sustainability information under the attestation standards in the U.S. jurisdiction, including, for example, the following:

- A survey conducted by the AICPA of its members in December 2022 to further understand the state of sustainability assurance practices in the U.S.
- The AICPA and CIMA partnership with the International Federation of Accountants (IFAC) to conduct a series of global benchmarking studies to better understand the extent to which companies are reporting and obtaining assurance on their sustainability disclosures, which assurance standards are being used, and which companies are providing the assurance service. The most recent study was released in May 2025: *The State of Play in Sustainability Assurance*.

In addition, the ASTF's continuing consideration of issues that affect all subject matters, including assurance on sustainability information, provided additional impetus for the approved project plan.

4. Regulatory Developments

a. Demand for Attestation Engagements

The demand for attestation engagements performed under the SSAEs continues to expand in response to regulatory developments and voluntary reporting initiatives. Attestation reports are

[4] Examples of prior guidance issued: *Attestation Guide for Sustainability Information* issued in July 2017; Statement of Position 13-1, *Attest Engagements on Greenhouse Gas Emissions Information,* issued in April 2013.
[5] AICPA Guides are interpretive publications. Although interpretive publications are not attestation standards, practitioners are required to consider applicable interpretive publications in planning and performing attestation engagements.

increasingly made publicly available and are subject to scrutiny by a broad range of users. These developments are being driven by both domestic and international factors, including

- sustainability reporting requirements in several U.S. states and foreign jurisdictions; and
- other regulatory reporting requirements in the U.S., for example, the following:
  - — The Guiding and Establishing National Innovation for U.S. Stablecoins Act (the GENIUS Act), enacted into U.S. federal law in July 2025, requires stablecoin issuers to provide monthly public disclosures of reserve composition that must be examined by a registered public accounting firm.
  - — The New York State Department of Financial Services (DFS) released guidance in June 2022 that focuses on U.S. dollar-backed stablecoins issued under DFS supervision by DFS-regulated virtual currency entities. The guidance covers requirements relating to stablecoin redeemability, asset reserves backing these stablecoins, and attestation engagements addressing the stablecoin reserves and the effectiveness of internal control mandated to be performed by a U.S. CPA in accordance with the attestation standards of the AICPA.

b. Sustainability Reporting Regulatory Developments

Since the approval of the project, there have been changes in the regulatory landscape affecting sustainability reporting. Some jurisdictions (for example, California[6] and Australia) have mandated some form of sustainability reporting, while other regulators (for example, the U.S. Securities and Exchange Commission[7] and the European Parliament[8]) have moved away from or softened requirements for mandatory sustainability reporting and assurance thereon.

Despite these changes, there continues to be demand for assurance or verification of sustainability information in the U.S. as evidenced by the "S&P 500 Sustainability Reporting and Assurance Analysis" (updated as of June 2025) issued by the Center for Audit Quality. It is noted in the report that of the 362 S&P 500 companies that reported sustainability information in 2023, 73% obtained assurance over certain of that information. The U.S. public company auditors who performed assurance engagements over certain S&P 500 companies' sustainability metrics all used the AICPA attestation standards to perform their assurance engagements.

On balance, although regulatory change regarding the rapidly evolving subject matter of sustainability information is to be expected, the ASB did not believe that changes to the project plan were necessary. Further, the ASB continues to believe that driving consistency in execution among U.S. practitioners when performing sustainability engagements and other attestation

[6] For additional information refer to "California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions About Regulatory Development and Initial Reports," updated on November 17, 2025.
[7] Source: U.S. Securities and Exchange Commission, "SEC Votes to End Defense of Climate Disclosure Rules," March 27, 2025.
[8] Source: European Parliament, "Sustainability Reporting and Due Diligence: MEPs Back Simplification Changes," November 13, 2025.

engagements is critical.

5. Convergence

As outlined in the ASB's Operating Policies, the ASB has a strategic objective to converge its audit and attestation standards, when appropriate, with the audit and assurance standards of the IAASB.

While convergence as appropriate is an objective, when determining whether existing differences between requirements should be retained in the redrafted ASB standard, due consideration is given to "differences between existing standards" described in the following sources:

- AICPA *Professional Standards*
- AU-C appendix B, *Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards*
- Other material in the extant ASB standards not included in the extant IAASB standard

Certain previous projects to revise the attestation standards had an objective to advance convergence, as appropriate, of the baseline attestation standards with the requirements in the equivalent IAASB standard, International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. However, to remain aligned with practitioners' understanding and application of the attestation standards in the U.S. (which have been in place for many years), some aspects or provisions of ISAE 3000 (Revised) were not adopted.[9] The ASB, when revising the proposed baseline attestation standards, remained cognizant of the requirements and application material in ISAE 3000 (Revised) and, when appropriate, retained preexisting differences.

As part of this project, when developing the proposed sustainability information AT-C sections, due consideration has been given to convergence with ISSA 5000. ISSA 5000 is a stand-alone standard for sustainability assurance engagements, which the IAASB issued rather than updating ISAE 3000 (Revised). The ASB took a different approach by deciding to retain the existing structure of the attestation standards that were adopted when SSAE No. 18 was issued and building on the existing structure by adding new subject-matter AT-C sections. (See section II.B.) Although the proposed revisions to the baseline attestation standards were not made for purposes of convergence with ISSA 5000, the ISSA 5000 requirements were considered and informed the revisions made.

Supplements to the Exposure Draft

[9] See the explanatory memorandum accompanying the exposure draft of proposed SSAE *Attestation Standards: Clarification and Recodification,* issued in July 2013.

The supplements to this exposure draft include a draft document that identifies substantial differences between ISSA 5000 and the proposed attestation standards.

The supplements to this exposure draft also include a mapping of the requirements in ISAE 3000 (Revised) to the requirements in proposed AT-C sections 105, 205, and 210 that would enable respondents to identify those areas where the standards are not proposed to be converged. Similarly, a mapping of the proposed baseline attestation standards to ISA 3000 (Revised) will assist respondents in understanding those performance requirements in the attestation standards that may be more robust or differ from those in the IAASB's assurance standard.

C. Structure of the Attestation Standards

The structure of the attestation standards (also referred to as the "building blocks approach") is as follows:

- AT-C section 105, *Concepts Common to All Attestation Engagements,* applies to all attestation engagements.
- AT-C section 205, *Assertion-Based Examination Engagements*, AT-C section 206, *Direct Examination Engagements*, AT-C section 210, *Review Engagements,* and AT-C section 215, *Agreed-Upon Procedures Engagements,* apply depending on the level of service the practitioner is engaged to perform.
- A subject-matter AT-C section in the 300 series applies to the engagement when relevant.

The ASB has developed two new subject-matter AT-C sections that include incremental requirements and application material unique to sustainability reporting engagements, which will be codified in the 300 series, *Subject Matter,* AT-C sections. The new AT-C sections are

- proposed AT-C section 325, *Reporting on an Examination of Sustainability Information,* and
- proposed AT-C section 330, *Reporting on a Review of Sustainability Information.*

In addition to complying with either proposed AT-C section 325 or 330, the practitioner is required to comply with AT-C section 105, and either AT-C section 205 or 210, as applicable, for engagements to report on sustainability information.

An understanding of the structure of the attestation standards, specifically, the interconnectivity of the respective AT-C sections, is fundamental when using the suite of attestation standards to perform an engagement.

See appendix B for further information on the structure of the attestation standards, including the use of headings and subheadings and drafting guidelines.

D. Approach to Developing the Drafts of the Proposed Baseline Attestation Standards and the Proposed Sustainability Information AT-C Sections

When developing the proposed SSAE, the Audit and Attest (A&A) Standards staff engaged with others as appropriate throughout the duration of the project. (See appendix C for further information on the coordination efforts with the AICPA Professional Ethics Executive Committee [PEEC] and other ASB task forces and related projects.)

1. Proposed Baseline Attestation Standards

With the approval of the project plan *Reporting on Sustainability Information*, the ASTF recommenced work to consider revisions to the baseline attestation standards that would address the high-priority topics previously discussed with the ASB and support the development of the proposed new sustainability information AT-C sections. In developing the proposed baseline attestation standards, the ASB considered

- the need for principles-based requirements that are broadly applicable across various subject matters while remaining sufficiently precise to minimize inappropriate diversity in practice;
- consistency with other standards within AICPA *Professional Standards*, including relevant AU-C sections and AR-C sections; and
- when appropriate, aligning with the equivalent requirements in the IAASB standards, specifically and at a minimum with ISAE 3000 (Revised).

The ASB also, during the course of the development of the proposed SSAE, endeavored to minimize changes to the baseline attestation standards where possible and to minimize differences with ISSA 5000. However, if a requirement in ISSA 5000 conflicted with a corresponding requirement in generally accepted auditing standards (GAAS) or the SSARSs, as appropriate, the requirement in AICPA *Professional Standards* was presumed to be appropriate in the U.S. environment.

a. Proposed AT-C Section 205

In general, practitioners are well versed in performing examination engagements, where the objective is to obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement, especially given the similarities with obtaining reasonable assurance in a financial statement audit.

In developing the proposed requirements, the ASB is of the view that, insofar as the work effort was intended to be the same as for reasonable assurance engagements performed in accordance with GAAS, the proposed requirements should be consistent with the relevant AU-C sections. The requirements and guidance in ISAE 3000 (Revised) and ISSA 5000 were also considered.

b. Proposed AT-C Section 210

In conducting a review engagement in accordance with the SSAEs, the objective of the practitioner is to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with the criteria.

The ASB directed that the work effort of a review engagement should remain consistent with existing practice, which emphasizes inquiries and analytical procedures as the primary procedures necessary to obtain limited assurance. As part of that charge, insofar as the work effort was intended to be the same as for financial statement reviews, the proposed requirements should be consistent with the SSARSs. Similarly, where the work effort was intended to be the same as for a reasonable assurance engagement, the proposed requirements should be consistent with those in proposed AT-C section 205. The ASB also considered requirements and guidance in ISAE 3000 (Revised), and to a lesser extent ISSA 5000, as appropriate.

With respect to ISAE 3000 (Revised), when enhancing the performance requirements of extant AT-C section 210, the views expressed by certain ASB members were recognized that, at a minimum, proposed AT-C section 210 should not encompass procedures that go beyond ISAE 3000 (Revised). In making these observations, these ASB members clarified that the performance and reporting requirements in extant AT-C section 210 that are more robust than ISAE 3000 (Revised) should be retained.

The revisions included in proposed AT-C section 210 are intended to provide

- principles-based performance requirements, when appropriate, while maintaining that the results of the performance of inquiries and analytical procedures are generally sufficient to provide a basis for concluding that limited assurance has been obtained.
- an overall "steer" to the practitioner for what to do if the engagement circumstances warrant additional procedures be performed in order for the practitioner to be able to conclude that the results of the procedures performed provide a basis for concluding that limited assurance has been obtained, including the importance of the practitioner being able to exercise professional judgment when designing and performing the additional procedures.

2. *Proposed Sustainability Information AT-C Sections*

The ASB took into account the proposed revisions to the baseline attestation standards and, using the building blocks approach, developed incremental requirements (and related application material) for inclusion in the proposed sustainability information AT-C sections. ISSA 5000 was used as the basis for developing the incremental requirements as well as the AICPA sustainability guide, as applicable, taking care to use language consistent with phrasing and terminology in other AT-C sections.

The intention was that proposed AT-C sections 325 and 330 include only those incremental requirements (and related application material) that are unique to their subject matter, that is, an engagement to report on sustainability information. This objective was broadly achieved with the development of proposed AT-C section 325.

Given the direction by the ASB that the work effort of a review engagement in proposed AT-C section 210 remain consistent with existing practice, additional and more granular requirements have been included in proposed AT-C section 330 that are not necessarily unique to a review engagement to report on sustainability information, rather than include them in proposed AT-C section 210. The ASB supports this approach for the following reasons:

- Limited assurance is the market standard for general-use sustainability reporting, and stakeholders expect the procedures to be appropriately robust. Sustainability reports are usually publicly available and used by a broad range of stakeholders when making decisions about where to put their money and their time.
- Systems for preparing sustainability information are relatively immature, such that the work effort to obtain sufficient appropriate evidence may be initially more extensive than for other subject matters.
- There is an increasing demand for assurance over qualitative sustainability information, which has less commonly been addressed in traditional assurance engagements, such that additional and more granular requirements seem necessary for sufficient appropriate evidence to be obtained.

As presented in the proposed SSAE, proposed AT-C section 325 includes 60 requirements that are either incremental to proposed AT-C section 205 or unique to proposed AT-C section 325, while proposed AT-C section 330 includes 82 requirements that are either incremental to proposed AT-C section 210 or unique to proposed AT-C section 330.

E. Exposure Draft of Proposed SSAE *Scope Limitations in a Review Engagement*

On February 27, 2025, the ASB exposed for public comment proposed Statement on Standards for Attestation Engagements *Scope Limitations in a Review Engagement*. This exposure draft, if adopted as proposed, would have amended AT-C section 210 to permit issuance of a qualified or disclaimer of conclusion in a review engagement when a scope limitation exists.

Comments were requested by May 30, 2025. Eleven comment letters and 4 survey responses were received from a variety of interested parties, including large international firms, medium and smaller firms, state societies, and regulators.

After extensive discussion, the consensus of the ASB was to incorporate the feedback received from respondents more holistically into both proposed AT-C sections 205 and 210, instead of approving the *Scope Limitations in a Review Engagement* exposure draft on its own. This decision was made on the basis that issuing the proposed narrow-scope revisions in a compressed timeframe was no longer needed, in part due to recent changes in the regulatory environment in the U.S. and Europe. In conjunction with issuing this proposed SSAE, the ASB has withdrawn the *Scope Limitations in a Review Engagement* exposure draft.

The exposure draft of proposed Statement on Standards for Attestation Engagements *Scope Limitations in a Review Engagement* is available here. The 15 responses received are available here.

F. Conforming Amendments

Conforming amendments will be exposed separately. The comment period will end on the later of June 30, 2026, or 90 days from the issuance of the conforming amendments for public comment. If necessary, the comment period for this proposed SSAE will be amended so that the ending dates of both exposure drafts remain aligned. Similarly, it is anticipated that the exposure draft addressing the conforming amendments, if issued as final, will have an effective date consistent with that of this proposed SSAE. The proposed conforming amendments will reflect revisions to the extant AT-C sections that would be necessary to align with the issuance of this proposed SSAE and may affect respondents' views on proposed revisions to the baseline attestation standards included within this exposure draft.

III. Effective Date

If issued as final, the proposed SSAE will be effective for engagements beginning on or after June 15, 2029. Early implementation would be permitted.

The ASB discussed three alternatives to identify what it believes to be the most appropriate approach that would trigger the adoption of the proposed SSAE, given the diverse subject matters addressed by the attestation standards.

Based on the discussions, the ASB's overall consensus was that the most appropriate trigger for adoption is "engagements beginning on or after" a specific date. While this approach was preferred, the ASB acknowledged potential ambiguity about when an attestation engagement begins. The AICPA Code of Professional Conduct (AICPA code) provides a definition of "period of the professional engagement," which focuses on the professional relationship rather than individual engagements. Nevertheless, the ASB found this definition useful as a framework for interpreting "engagements beginning." An excerpt from paragraph .42 of ET section 0.400, "Definitions,"[10] of the AICPA code is included below for reference (emphasis added):

> **.42 Period of the professional engagement.**
>
> The period **begins when a *member* either signs an initial engagement letter or other agreement to perform attest services or begins to perform an *attest engagement*, whichever is earlier.** The period lasts for the entire duration of the professional relationship, which could cover many periods, and ends with the formal or informal notification, either by the *member or client*, of the termination of the professional relationship or by the issuance of a report, whichever is later. Accordingly, the period does not end with the issuance of a report and recommence with the beginning of the following year's *attest engagement*.

[10] All ET sections can be found in AICPA *Professional Standards*.

Further, it is noted that paragraphs .07 and .09 of proposed AT-C sections 205 and 210, respectively, and paragraph .14 of AT-C section 215, *Agreed-Upon Procedures Engagements*, require that the practitioner agree on the terms of the attestation engagement. Below is an extract from the relevant paragraphs of the proposed SSAE and AT-C section 215.

> 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.

Leveraging the definition in the AICPA code, together with the requirements in the attestation standards and the practitioner's professional judgment, the ASB believes that practitioners will be able to determine when an engagement period begins in order to timely implement the new SSAE, if issued as final. Typically, "engagements beginning" is understood to mean the earlier of the practitioner agreeing to the engagement terms (for example, signing an engagement letter or written agreement) or beginning performance of the attestation engagement for the current period.

Other approaches considered by the ASB were as follows:

- *Practitioner's reports dated on or after a specific date.* Although this approach has typically been adopted for prior SSAEs, the ASB acknowledged that in some circumstances, the current attestation standards may apply when the engagement begins, but the proposed SSAE may be effective before the end of the engagement. This may result in inadvertent noncompliance with AICPA *Professional Standards* or necessitate the practitioner to "top up the work effort" at the end of the engagement in order to comply with the newly effective SSAE, if issued as final. Given the extent of proposed revisions to the attestation standards, the majority of the ASB did not believe this approach to be optimal.
- *Reporting periods ending on or after a specific date or as of or after a specific date.* Although this construct is used frequently in the SASs and SSARSs, the ASB discussed circumstances in which a reporting period may extend into the foreseeable future, for example, engagements performed in accordance with AT-C section 305, *Prospective Financial Information*. Consequently, the consensus of the ASB was that this approach is not the most effective.

The ASB supports permitting early implementation of this proposed SSAE, in accordance with paragraph .A27 of proposed AT-C section 105. Practitioners electing early implementation would need to implement all the performance and reporting requirements in the relevant sections of this proposed SSAE simultaneously. Given the demand for timely standard-setting activities to address reporting on sustainability information, it is considered to be in the public interest to allow practitioners to report in accordance with the proposed SSAE as soon as it is issued.

Allowing early implementation may result in some practitioners issuing reports in accordance with the revised reporting requirements, while others may issue reports for the same services in accordance with extant requirements. The ASB does not expect that this potential diversity would cause confusion in the marketplace because no extant reporting elements in the practitioner's examination and review reports are being removed. Instead, the ASB has, in addition to minor wording clarifications,

- proposed limited changes to the minimum reporting elements in the examination report to primarily align with the reporting requirements in AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, and
- aligned the minimum reporting elements in the review report with the illustrative practitioner's review reports in paragraph .A110 of extant AT-C section 210.

Paragraph .A83 of extant AT-C section 205 and paragraph .A66 of extant AT-C section 210 provide guidance that states the practitioner may "issue a report that expands on or supplements those [minimum reporting] elements." Therefore, there is nothing prohibiting the practitioner from enhancing the content of the practitioner's report to provide additional information to meet the needs of the intended users.

Request for Comment — Effective Date

Use of "Engagements Beginning On or After" Approach

1. Do respondents agree, given the diverse subject matters, that the use of the "engagements beginning on or after" approach to trigger the adoption of the proposed SSAE is appropriate? If not, respondents are requested to explain why.

Proposed Effective Date — June 15, 2029

2. Do respondents agree that if the final standard is issued no later than June 30, 2027, the proposed effective date for engagements beginning on or after June 15, 2029, is appropriate and provides adequate time for implementation, including updating methodologies and training staff? If not, respondents are requested to explain why and suggest a reasonable alternate effective date.

IV. Significant Matters in the Proposed SSAE

The following is a summary of the significant matters in the proposed SSAE, by AT-C section or combination thereof, that the ASB believes are of most relevance to draw to the attention of respondents. The significant matters were discussed with, and deliberated by, the ASB.

A. Fundamental Aspects of the Proposed SSAE

1. Work Effort Verbs

The choice of work effort verbs used directly affects the nature and extent of work necessary for the practitioner to comply with the requirement. Given that one of the ASB's strategic initiatives is to converge its standards, as appropriate, with those of the IAASB, while considering the needs of stakeholders,[11] it is important for everyone to have a common understanding of the work effort verbs used. In the extant attestation standards, the verb "consider" is often used

[11] Refer to the *ASB Strategic Plan 2026–2030*, "Our Strategic Initiatives."

instead of "evaluate" to differentiate the lower work effort required to obtain limited assurance from that required to obtain reasonable assurance.

Considerations in selecting the appropriate work effort verb include the following:

a. Use, where practicable, the language used in the equivalent AU-C sections for examination engagements or in AR-C section 90, *Review of Financial Statements,* for review engagements. Using the same words when actions to obtain reasonable assurance (audit and examination) and limited assurance (financial statement reviews and attestation reviews) are intended to be the same promotes consistency for practitioners using AICPA *Professional Standards*. However, in certain instances, the verb used in the AU-C or AR-C section is different from that used in ISSA 5000.

b. Consider the work effort verb used in the baseline attestation standards and how it affects the requirements in a subject-matter AT-C section, such as sustainability information, which builds on the requirements in the baseline standards.

The ASB believes it has considered each instance of the work effort verb used in the proposed SSAE. To indicate instances in which the practitioner's action is intended to be the same regardless of the level of assurance obtained, the same work effort verb has been used. As a result, "evaluate" appears more frequently in the proposed SSAE for engagements to perform a review of sustainability information than it does in other attestation sections for review engagements. The ASB believes that these robust procedures performed by the practitioner when reporting on a review of sustainability information are appropriate, as they are commensurate with the unique and developing nature of sustainability information and the demands of the marketplace. *(See also section IV.C.2. and section IV.E.1.)*

2. Linkages Between AT-C Sections

In addition to new stand-alone requirements that address sustainability information, proposed AT-C sections 325 and 330 also include new and enhanced requirements that are based on relevant requirements in the proposed baseline attestation standards. In such circumstances, the linkage to that other AT-C sections is highlighted by using the phrase "in applying AT-C section [number]" to indicate that, as part of performing the specified requirement in that other AT-C section, the practitioner is also required to do something more.

Similarly, when application material is included in the proposed sustainability information AT-C sections that is linked to a relevant requirement in the proposed baseline attestation standards, the requirement has been repeated, either in its entirety or in part, in proposed AT-C sections 325 and 330 to provide a "hook" for the guidance. This has been highlighted by the use of the phrase "in accordance with AT-C section [number]."

In both instances, a footnote referencing the relevant requirement in that other AT-C section is included.

The ASB believes that the cross-references, together with the use of consistent headings and subheadings across the proposed SSAE, provide the practitioner with a clear road map when performing an engagement, especially when using subject-matter AT-C sections that build extensively on the 200 series, *Level of Service*, AT-C sections.

See appendix B for further information on the structure of the attestation standards, including the use of headings and drafting guidelines.

Supplements to the Exposure Draft

The supplements to this exposure draft include three documents that highlight the application of the building blocks approach as well as the use of cross-references, headings, and subheadings throughout the proposed AT-C sections.

Request for Comment — Fundamental Aspects of the Proposed SSAE

Linkages Between AT-C Sections

3. Do respondents agree with the approach taken with respect to the linkages between the proposed sustainability information AT-C sections and the other AT-C sections, including whether the approach is understandable and easy to follow? If not, respondents are requested to explain why.

B. Matters Affecting Proposed AT-C Section 105

1. Introduction (paragraph .01)

Paragraph .01 of proposed AT-C section 105 includes introductory material to address the use of the term "subject matter." This is based on a similar paragraph included in extant AT-C sections 205 and 210. It clarifies that "subject matter" encompasses both the defined terms "underlying subject matter" and "subject matter information," and that if only one of these terms is applicable, that term is used.

2. Examination and Review Engagements (paragraphs .02 and .A2)

The extant AT-C sections use the phrase "in accordance with (or based on) the criteria" because not all subject matter is prepared in accordance with the criteria. For example, in an examination of controls, the controls are evaluated against the criteria. The ASB considered removing the phrase "or based on" lest it be inappropriately interpreted to describe subject matter that only partially complies with the criteria. However, the phrase was ultimately retained because it is widely used in examination engagements in accordance with AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*. The ASB provided additional application material to clarify that when the practitioner is reporting directly on the subject matter, the subject matter may be expressed as being either "in accordance with" or "based on" the criteria in the practitioner's report. The application material further highlights that this is only appropriate in circumstances when the subject matter complies with all relevant requirements of those criteria. The ASB has been deliberate in its use of "in accordance with" and "based on" the criteria throughout revisions to the proposed baseline attestation standards, including updates to illustrative reports to ensure appropriate usage based on the context and circumstances depicted. *(See also section IV.C.8.)*

3. **Definitions** *(paragraph .12)*

The following definitions have been added (adapted as appropriate for attestation engagements) or substantially revised:

> **Assertion.** The words "by the responsible party" were added to further clarify that this is a statement made by such party, which is fundamental to all engagements performed in accordance with AT-C sections 205 or 210.
>
> "Assertion" as defined by AT-C section 105, differs from "assertions" as defined by ISSA 5000. The latter equates to the term "underlying assertion" as defined for purposes of proposed AT-C section 325.
>
> **Direct assistance.** The definition is included as the proposed baseline attestation standards reference direct assistance by internal auditors. Expanded requirements relating to "Using Internal Auditors to Provide Direct Assistance" have been added to proposed AT-C section 205 (see paragraphs .14–.18 of proposed AT-C section 205). The definition was developed using paragraph .12 of AU-C section 610, *Using the Work of Internal Auditors,* as the initial basis.
>
> **Fraud.** The ASB revised the definition to align with Proposed SAS *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.
>
> **Limited assurance.** Extant AT-C section 105 includes a definition of reasonable assurance; accordingly, it was believed appropriate to also add the defined term "limited assurance" to proposed AT-C section 105. The definition is consistent with that included in AR-C section 90.

A definition related to "an other individual" was not included in the proposed SSAE. Although ISSA 5000 includes a definition of "another practitioner," as well as related requirements and application material, this has not been included in the proposed SSAE because the concept of an other individual (including an other practitioner) who may perform work on information that is used by the practitioner was already a concept included in paragraph .A66 of extant AT-C section 105 (see also paragraph .A84 of proposed AT-C section 105). Furthermore, procedures relating to using information reported on by an other individual are addressed in paragraph .32 of proposed AT-C section 205 (and related application material) and in application material in paragraph .A32 of proposed AT-C section 210.

4. **Suitability of Criteria** *(paragraphs .33, .A57, and .A67)*

In extant AT-C section 105, the characteristics of suitable criteria are included in application material, whereas ISAE 3000 (Revised) and ISSA 5000 include the characteristics in requirements. Although the terminology used in AT-C section 105 differs from that in the IAASB standards, the ASB believes that the concepts are substantively equivalent. Specifically, the ASB believes that the term *objectivity* (in proposed AT-C section 105) equates to *neutrality* and *understandability*, and the term *measurability* (in proposed AT-C section 105) equates to *reliability*. The ASB is of the view that the historical terms in the attestation standards are commonly understood and should not be changed and that it is not necessary to elevate the individual characteristics to a requirement given that the practitioner already has a requirement to determine that the criteria applied are suitable (see paragraphs .33 and .A58 of proposed AT-C section 105).

Enhancements to the descriptions of suitable criteria were made to:

- Measurability — includes "evaluation," which aligns with the responsibilities of the responsible party for the preparation, evaluation, or measurement of the subject matter information in accordance with the criteria
- Completeness — includes a reference to criteria that address "benchmarks for presentation and disclosure," which for certain subject matters, for example sustainability information, may be an important consideration

Paragraph .A68 was added to proposed AT-C section 105 to acknowledge that as the attestation engagement progresses, the practitioner's initial determination regarding the suitability and availability of criteria may change. In such circumstances, the practitioner is expected to respond appropriately if information arises that the criteria are no longer suitable. The ASB did not believe that an additional requirement was needed to address this circumstance as it may not be applicable or relevant to all subject matters and instead included this paragraph as application material as evidence of the scalability of the procedure. However, it was acknowledged that for certain subject matters it may be appropriate to include a requirement for the practitioner to determine the suitability of criteria, other than as part of the preconditions, such as for engagements to report on sustainability information (see paragraphs 43 and 56 of proposed AT-C sections 325 and 330, respectively).

5. ***Difference Between an Engagement Resource and Sources of Information to Be Used as Evidence*** *(paragraph .45, "Using the Work of a Participating Practitioner,"* and *paragraph .67, "Referred-to Practitioner")*

Paragraph .A91 of QM section 10, *A Firm's System of Quality Management*,[12] distinguishes between a resource and sources of information used as audit evidence, noting that the distinction may depend on the circumstances. Examples of the differences include the following:

- A component auditor is a resource used in performing a group audit.

[12] All QM sections can be found in AICPA *Professional Standards*.

- An auditor's external expert is a resource used in performing an audit.
- A referred-to auditor is an information source because a referred-to auditor's report provides information to be used as audit evidence.
- A service auditor that issues a report on a service organization's controls is an information source and not a resource, unless the service organization is requested to perform further procedures for purposes of the particular engagement.

Paragraph .A12 of AU-C section 500, *Audit Evidence,* explains that audit evidence may be obtained directly or derived individually or in combination from different sources, including from management, external information sources, and other external parties, as well as the auditor. Further, it notes that the auditor may develop information to be used as audit evidence.

Consistent with this guidance, the proposed SSAE specifies that engagement resources may be used by the practitioner to develop information to be used as evidence. Application material has been developed and included in paragraphs .A46 and .A33 of proposed AT-C sections 205 and 210, respectively, to address the distinction between an engagement resource and sources of information to be used as evidence.

This distinction has informed the placement of requirements related to engagement resources and sources of information more broadly, especially when expanding the application of the building blocks approach, both within an AT-C section and when viewing requirements across the relevant AT-C sections.

For example, requirements relating to using the work of a participating practitioner and a referred-to practitioner are placed differently. A participating practitioner, like a component auditor, is an engagement team member and as such, the requirements related to using their work are included under the heading "Engagement Resources." Conversely, a referred-to practitioner is not a member of the engagement team, so the requirements related to their work are included under the heading "Sources of Information to be Used as Evidence."

The placement of the requirements addressing a referred-to practitioner in proposed AT-C section 105 has been dictated by where the overall requirements pertaining to evidence were placed in proposed AT-C sections 205 and 210. (See the supplement to the exposure draft "Attestation Standards Building Blocks Approach (AT-C Sections 105, 205 and 210)" for a horizontal depiction of the building blocks approach).

6. ***Move of Documentation Requirements to Proposed AT-C Section 105** (affects paragraphs .68–.71 of proposed AT-C section 105)*

As part of the ASB's deliberations around the structure and application of the building blocks approach, the requirements (and related application material) addressing documentation were moved from extant AT-C sections 205 and 210 to proposed AT-C section 105 because the topic is typically common to all levels of service. The ASB acknowledges that the proposed inclusion of documentation requirements in proposed AT-C section 105, when considered along with those also included in AT-C section 215, may result in repetition of some requirements for practitioners performing agreed-upon procedures engagements.

The decision to move the requirements relating to documentation from extant AT-C sections 205 and 210 to proposed AT-C section 105 was also informed by the observation that, in the extant AT-C sections, the overarching (higher-level) requirements resided in AT-C section 105, while more specific documentation requirements were located in the AT-C sections addressing examination and review engagements. Certain requirements in extant AT-C sections 205 and 210 were repetitive and duplicative of the overarching requirements in extant AT-C section 105 and, in some cases, included minor unintended differences.

The ASB, in restructuring the documentation section in proposed AT-C section 105, is of the view that the requirements should be principles based, with examples of detailed documentation that may be necessary included in the application material.

Supplements to the Exposure Draft

The supplements to this exposure draft include a draft of proposed AT-C section 105 marked from extant that identifies the proposed changes that have been made.

Request for Comment — Matters Affecting Proposed AT-C Section 105

Difference Between an Engagement Resource and Sources of Information to Be Used as Evidence

4. Do respondents agree with the approach taken in structuring the attestation standards with respect to engagement resources and sources of information to be used as evidence? If not, respondents are requested to suggest an alternative such that the integrity of the building blocks approach is retained.

Move of Documentation Requirements to Proposed AT-C Section 105

5. Do respondents agree with moving requirements (and related application material) addressing "Documentation" from extant AT-C sections 205 and 210 to proposed AT-C section 105 given that this topic is typically common to all levels of service? If not, respondents are requested to explain why.

Other Observations Regarding Proposed AT-C Section 105

6. Are there any other observations that respondents would like to provide with respect to significant matters that affect proposed AT-C section 105?

C. Matters Affecting Both Proposed AT-C Sections 205 and 210

1. ***Definitions*** *(paragraph .04 of proposed AT-C sections 205 and 210)*

The following definitions have been added (adapted as appropriate for attestation engagements):

Analytical procedures and **other information.** These definitions were developed using paragraph .04 of AU-C section 520, *Analytical Procedures,* and paragraph .12 of AU-C section 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, respectively, as the initial basis.

Management's specialist. The definition was developed using paragraph .04 of AU-C section 501, *Audit Evidence – Special Consideration for Selected Items,* as the initial basis. Application material has been added in paragraph .A1 of proposed AT-C sections 205 and 210, respectively, to clarify instances in which the individual is not a management's specialist as defined.

Subsequently discovered facts. The definition was added to support the requirements and application material. It was developed leveraging paragraph .07 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*. The ASB did not include a definition for "subsequent events," as this term is not specifically used in the requirements in proposed AT-C sections 205 and 210. Instead, the term "subsequent events" is only used in the headings above paragraphs .80 and .48 of proposed AT-C sections 205 and 210, respectively, and in the related application material.

As part of its discussions relating to definitions affecting proposed AT-C sections 205 and 210, the ASB, based on its review of the defined terms included in paragraph 18 of ISSA 5000, is of the view that it is not necessary to define the following terms:

- *Internal control* or *controls* (ISSA 5000 uses the defined term "system of internal control"). The ASB believes that the use of this term is commonly understood in the context of the engagement circumstances and that including a definition may be problematic when the subject matter itself is internal control. Further, the defined term was not necessary in proposed AT-C section 210, as specific performance requirements related to internal controls or controls have not been included and are not contemplated for a typical review engagement.

  The ASB as part of its deliberations agreed to use of the term "internal control" instead of "system of internal controls" (which is what is used in AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*) for the proposed baseline attestation standards. The ASB noted that a comprehensive system of internal control is not always relevant with respect to the subject matter that is being measured or evaluated in accordance with criteria.

  Different terms or phrases may be used in the subject-matter AT-C sections; however, that is clearly addressed in the relevant 300 series AT-C sections.

- *Misstatement of the other information*. The ASB questioned the necessity of defining this term and instead included the three types of misstatement — (*a*) a material inconsistency, (*b*) a material misstatement of fact, and (*c*) information that is otherwise misleading — in the requirements addressing other information in paragraphs .129 and .96 of proposed AT-C sections 205 and 210, respectively.

- *Performance materiality*. The ASB believes that this concept can better be described in application material, given that it may not be relevant to all subject matters (see paragraphs .A42 and .A29 of proposed AT-C sections 205 and 210, respectively).

- *Uncorrected misstatements.* The ASB is of the view that including this term would be superfluous, given that the term "misstatement" is already defined in proposed AT-C section 105.

2. ***Evidence** (paragraphs .25–.26, .34, and .93–.95 of proposed AT-C section 205, and .17,.19, and .61–.62 of proposed AT-C section 210)*

Paragraph .01 of AU-C section 500 explains what constitutes audit evidence in an audit of financial statements and sets out attributes of information that are taken into account by the auditor when evaluating information to be used as audit evidence. In developing the requirements and application material for inclusion in proposed AT-C sections 205 and 210, the ASB leveraged the overarching requirements in AU-C section 500.

For purposes of the proposed SSAE, the following matters with respect to evidence were discussed:

- *"Evidence" versus "review evidence."* The ASB believes the term "evidence," as used in the requirements and application material, is intended to have the same meaning in an examination and a review engagement. That is, the practitioner obtains evidence sufficient to obtain the appropriate level of assurance. The ASB believes that the initial intent for using the term "review evidence" was to highlight that the evidence needed to support a limited assurance conclusion when performing a review engagement may be less than that needed to support a reasonable assurance opinion when performing an examination engagement. The ASB is of the view that it is the sufficiency of the evidence obtained by the practitioner that may differ when performing procedures to achieve the objectives of an examination or a review engagement.

  Given the development of the professional literature as it relates to evidence, specifically the issuance of AU-C section 500 subsequent to the issuance of SSAE No. 18, the ASB believes the clarification intended by the term "review evidence" is no longer necessary. Further, retaining the term "review evidence" may create confusion that evidence obtained for a review engagement is somehow different than the evidence obtained in an examination engagement. Consequently, the term "review" has been removed from the phrase "review evidence" throughout the proposed baseline attestation standards, including the deletion of the defined term "review evidence" in proposed AT-C section 210.

  It is noted that the concept of "review evidence" is still included in AR-C section 90 with respect to a review of financial statements.

- *Evaluating information to be used as evidence* (paragraphs .25–.26 of proposed AT-C section 205 and paragraph .17 of proposed AT-C section 210). A majority of the ASB is of the view that the practitioner should, in both an examination and a review engagement, evaluate information to be used as evidence. This perspective is based, in part, on paragraph .19*b* of extant AT-C section 210, which states that, with respect to analytical procedures, the practitioner should "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." Therefore, the principle that the practitioner evaluates information to be used as evidence is already embedded in extant AT-C section 210.

Although the concept of evaluating information to be used as evidence is similar in proposed AT-C sections 205 and 210, proposed AT-C section 210 explicitly acknowledges that the level of work effort to evaluate the information is less in a review. Specifically, proposed AT-C section 210 does not include a requirement for the practitioner to evaluate whether the information is sufficiently precise and detailed for the practitioner's purposes and to obtain evidence about the accuracy and completeness of the information (included in paragraph .26 of proposed AT-C section 205). The ASB is of the view that this requirement is more appropriate in the subject-matter AT-C sections addressing review engagements (for example, see paragraph 43 of proposed AT-C section 330). *(See also section V.)*

- *Inconsistencies in, or doubts about the reliability of, evidence.* The ASB believes it is appropriate to include a requirement that deals with inconsistencies in, or doubts about the reliability of, evidence (see paragraphs .34 and .19 of proposed AT-C sections 205 and 210, respectively). In doing so, the ASB noted that the objective of these requirements is specifically to address modifications or additions to *procedures* as a result of such inconsistencies or doubts. Separately, the ASB believes that when evaluating the evidence obtained in the context of forming the conclusion toward the end of the engagement (see paragraphs .93 and .94 of proposed AT-C section 205 and paragraphs .61 and .62 of proposed AT-C section 210), such an evaluation is more overarching in nature and akin to a stand-back prior to concluding. Consequently, it was determined to retain these requirements as drafted as the intended outcome is different.
- *Scalability and work effort.* Given the importance in a review engagement of the sufficiency of evidence obtained and the scalability of procedures performed, the ASB decided to include paragraph .A30 of proposed AT-C section 210 that specifically highlights "the evidence required to support a review conclusion, and the work effort to evaluate its relevance and reliability, is significantly less than required to support an examination opinion."
- *Documentation.* Given that paragraphs .25 and .17 of proposed AT-C sections 205 and 210, respectively, are the same, it is expected that the considerations documented by the practitioner when evaluating information to be used as evidence in an examination or a review engagement would be largely consistent. The ASB believes that this is supported by paragraph .68*b* of proposed AT-C section 105, which requires the practitioner to prepare documentation on a timely basis that is sufficient to enable an experienced practitioner to understand, in an examination and a review engagement, the evidence obtained.

An additional consideration in arriving at the use of the work effort verb "evaluate" in paragraph .17 of proposed AT-C section 210 is the reference in paragraph .14 of proposed AT-C section 210 to various concepts not directly addressed in proposed AT-C section 210. In such circumstances, the practitioner is directed to apply the related requirements in proposed AT-C section 205, adjusted as appropriate for a review engagement. If a requirement to evaluate the information to be used as evidence were not included in proposed AT-C section 210, this may create challenges in applying paragraph .14 of proposed AT-C section 210, when those circumstances are relevant. This is because evaluating information to be used as evidence is necessary when the practitioner applies this requirement as it relates to (1) using the work of a specialist, (2) using internal auditors to provide direct assistance, (3) using the work of the internal audit function, (4) tests of controls and (5) sampling.

3. ***Using the Work of a Management's Specialist*** *(paragraphs .27 and .18 of proposed AT-C sections 205 and 210, respectively)*

The ASB agreed that given the breadth of subject matters addressed by the attestation standards, it was likely that management in certain instances would use a specialist to prepare or measure the subject matter information. Consequently, the ASB added requirements to address using the work of a management's specialist to enhance the execution of the practitioner's work effort. These were developed leveraging paragraph .27 of AU-C section 501.

4. ***Using Information Reported on by an Other Individual*** *(paragraph .32 of proposed AT-C section 205 and paragraph .A32 of proposed AT-C section 210)*

The ASB believes it is appropriate to include requirements addressing when the practitioner uses information reported on by an other individual as evidence in proposed AT-C section 205, because it is recognized that for certain subject matters (for example, reporting on sustainability information) the practitioner may be using reports, including the information that is accompanied by the report, of the other individual as evidence for the examination engagement. The requirement and related application material have been drafted in a principles-based manner given the varied ways in which the work may be used by the practitioner. In doing so, the requirement in proposed AT-C section 205 also supports, where applicable, additional, more granular requirements in the subject-matter AT-C sections, for example, paragraphs 36 and 49 of proposed AT-C sections 325 and 330, respectively.

The ASB discussed whether the intended work effort would be different depending on whether the information to be used as evidence was accompanied by an other individual's report. The ASB noted that for those instances where there was not an accompanying other individual's report, the information to be used as evidence by the practitioner would be evaluated in accordance with the overarching requirements in paragraphs .25–.26 of proposed AT-C section 205. The ASB noted further, as highlighted in paragraph .A63 of proposed AT-C section 205, that "it is a matter of professional judgment … whether information to be used as evidence that was reported on by an other individual, including the accompanying other individual's report, is adequate for the practitioner's purposes."

Given the nature of review engagements, and the focus on inquiry and analytical procedures, the ASB did not believe it was necessary to include requirements in proposed AT-C section 210 to address the circumstance when the practitioner may need to use information reported on by an other individual. As such, to appropriately scale the work effort in this regard, the ASB instead included application material in paragraph .A32 of proposed AT-C section 210 that highlights what the practitioner may do when an other individual performs work on information that is used by the practitioner as evidence.

5. ***Fraud or Noncompliance With Laws or Regulations Affecting the Subject Matter*** *(paragraphs .40–.42 and .21–.23 of proposed AT-C sections 205 and 210, respectively)* ***and Responding to Fraud or Suspected Fraud or Noncompliance With Laws or Regulations*** *(paragraphs .66–.70 and .33–.37 of proposed AT-C sections 205 and 210, respectively)*

The ASB proposed that for purposes of performing risk assessment procedures in proposed AT-C section 205 and identifying areas in which a material misstatement is likely to arise in proposed AT-C section 210, the inquiries regarding an individual's knowledge of any fraud or suspected fraud or instances of noncompliance with laws or regulations (NOCLAR) or suspected NOCLAR are limited to those only affecting the subject matter. The ASB believes this appropriately "ring-fences" the practitioner's responsibilities as it relates to fraud or NOCLAR that is relevant to the attestation engagement on a particular subject matter.

However, it should be noted that the practitioner's responses, should the practitioner become aware of information concerning fraud or suspected fraud or instances of NOCLAR or suspected NOCLAR, are appropriately broader and not limited to those only affecting the subject matter.

6. ***Accumulation and Consideration of Identified Misstatements*** *(paragraphs .72–.78 and .40–.46 of proposed AT-C sections 205 and 210, respectively)*

The ASB has proposed enhancing the extant requirements with respect to misstatements. The ASB's deliberations in this area centered around two aspects:

- *Accumulation of identified misstatements — work effort difference* (paragraphs .73 and .41 of proposed AT-C sections 205 and 210, respectively). In an examination engagement, the practitioner is required to "evaluate" whether a misstatement is indicative of fraud, whereas in a review engagement, the practitioner is required to "consider" whether the identified misstatement is indicative of fraud. The ASB is of the view that the work effort difference is commensurate with other requirements relating to fraud. Specifically, the practitioner's responsibilities relating to performing procedures that may indicate whether there is a risk of material misstatement due to fraud (or noncompliance with laws or regulations) in paragraph .40 of proposed AT-C section 205 are more robust than the practitioner's responsibilities in paragraph .21 of proposed AT-C section 210, which are limited to solely making inquiries about fraud or suspected fraud, including allegations of fraud (or instances of noncompliance or suspected noncompliance with laws or regulations) affecting the subject matter.
- *Communicating all misstatements* (paragraphs .75 and .43 of proposed AT-C sections 205 and 210, respectively). The practitioner is required to communicate to the responsible

party, on a timely basis, all misstatements accumulated during the engagement (other than those that are clearly trivial, as noted in paragraphs .72 and .40 of proposed AT-C sections 205 and 210, respectively). The ASB deliberated whether there should be a threshold above "clearly trivial" that the practitioner should use when determining which of the identified misstatements to communicate.

In arriving at the decision to retain the reference to "all misstatements," it is noted that the written representations include a representation for the responsible party to "state whether the responsible party believes the effects of uncorrected misstatements, if any, are immaterial, individually and in the aggregate, to the subject matter. A summary of such items should be included in, or attached to, the written representation." If all identified misstatements are not communicated to the responsible party, it is unlikely that the responsible party would be in a position to make such an affirmative statement. Further, this requirement is consistent with paragraph .07 of AU-C section 450, *Evaluation of Misstatements Identified During the Audit*.

7. ***Subsequent Events and Subsequently Discovered Facts*** *(paragraphs .80–.84 and .48–.52 of proposed AT-C sections 205 and 210, respectively)*

The requirements and related application material are consistent for both an examination and a review engagement and primarily retain the structure of extant AT-C sections 205 and 210 in which the primary work effort is inquiry procedures. AU-C section 560, AR-C section 90, and ISSA 5000 were considered when developing the requirements to address subsequent events and subsequently discovered facts for the proposed baseline attestation standards.

The ASB deliberated about the level of specificity needed in relation to what was in extant AT-C sections 205 and 210 with respect to procedures performed, and the evaluation of any evidence obtained, as it related to identifying events subsequent to the period (or point in time) covered by the engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. The ASB is of the view that, where appropriate, the requirements should be kept principles based.

Further, the requirements address the following time periods:

- Events subsequent to the period (or point in time) covered by the engagement up to the date of the practitioner's report (subsequent event)
- After the date of the practitioner's report (subsequently discovered facts)

The ASB recognizes that there may be a difference between the report date and the report release date; however, the ASB is of the view that these dates are typically close and therefore there is no need to provide requirements for the period between those two dates.

8. ***Content of the Practitioner's Report*** *(paragraphs .102 and .69 of proposed AT-C sections 205 and 210, respectively, and related conforming edits throughout the proposed baseline attestation standards)*

The ASB did not propose any substantive changes to the unmodified report of the practitioner from extant, other than refining the use of phrases, where appropriate, and more closely aligning the required reporting elements with the extant illustrative reports, as appropriate.

Extant AT-C sections 205 and 210 include descriptions of the opinion or conclusion in the requirements that the subject matter is "in accordance with (or based on) the criteria" and include application material to highlight that this is to be tailored to reflect the nature of the subject matter and criteria for the engagement (see paragraphs .A90 and .A73 of AT-C sections 205 and 210, respectively).

However, use of the lead-in phrase "statement that" or "state that" with respect to reporting element requirements has typically been taken to mean in practice that the wording is used, without modification, as reflected in the relevant AT-C section. Therefore, to further simplify the statements included in the reporting elements, the ASB has proposed to remove the reference to "(or based on)" as it was not intended that both phrases be used in the practitioner's report as a matter of course.

The ASB believes that the example provided in paragraph .A169 of proposed AT-C section 205 for the practitioner to plan and perform the examination to obtain reasonable assurance about whether "the subject matter is presented fairly, in all material respects, based on the criteria" is sufficient to support the use of similar statements in a practitioner's examination report for a specific subject matter, for example AT-C section 320. *(See also section IV.B.3.)*

9. ***Engagements Conducted in Accordance With Both the Attestation Standards and Another Set of Standards*** *(paragraphs .110–.111 and .77–.78 of proposed AT-C sections 205 and 210, respectively)* ***and Compliance With the Attestation Standards*** *(paragraph .A5 of proposed AT-C section 105)*

In May 2017, the ASB issued Interpretation No. 4, *Performing and Reporting on an Attestation Engagement Under Two Sets of Attestation Standards,* to AT-C section 105. The intent of the interpretation was to provide specific authoritative guidance, including reporting illustrations, when a practitioner is engaged to perform an attestation engagement in accordance with both the AICPA attestation standards and PCAOB standards. The interpretation does indicate that it is permissible to perform and report in accordance with both the AICPA attestation standards and those issued by the IAASB.

The ASB has concluded that interpretation No. 4 should be incorporated into proposed AT-C sections 205 and 210 and the interpretation withdrawn when the proposed SSAE, if voted final, is effective. The ASB is of the view that relocating the interpretation to the relevant AT-C sections is appropriate and doing so will elevate the professional literature such that the requirements are presumptively mandatory.

As part of the proposed revisions, the ASB also included application material (paragraph .A5 of proposed AT-C section 105) that clarifies that a practitioner may perform an engagement in accordance with another set of standards in addition to the attestation standards established by the AICPA.

10. ***Modifications to the Practitioner's Report*** *(paragraphs .112–.124 and .79–.91 of proposed AT-C sections 205 and 210, respectively, and related conforming edits throughout the proposed baseline attestation standards)*

a. Use of the Phrase "When Possible Under Applicable Law or Regulation" Versus "When Practicable"

The ASB revised the requirements in proposed AT-C sections 205 and 210 when the practitioner is unable to obtain sufficient appropriate evidence and concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive to require withdrawal "when practicable." The ASB noted that this construct is consistent with AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report.* This revision better reflects what is appropriate in the U.S. environment because the practitioner would consider withdrawing but is typically neither precluded from withdrawing nor required to withdraw under applicable law or regulation. Application material has been developed and included in paragraphs .A197–.A199 and .A154–.A157 of proposed AT-C sections 205 and 210, respectively, to address the practicality of withdrawing from an engagement.

This proposed revision, while prevalent in the proposed baseline attestation standards, is not pervasive and the ASB has taken care to make the change only in those requirements and application material where the change was warranted.

b. Use of the Phrase "Statement That" or "State That" Versus "Indicate That"

The ASB directed that the use of a "statement that" or "state that" with respect to certain reporting elements should be replaced with the phrase "indicate that" in the proposed baseline attestation standards. The ASB believes that this will allow more flexibility in the practitioner's reports with respect to the wording of the reporting modifications, which is important considering the breadth of subject matters.

c. Layout of the Section Under the Heading "Modifications to the Practitioner's Report"

The requirements and related application material in proposed AT-C section 210 are intended to broadly mirror the layout in proposed AT-C section 205. An alternative layout, more aligned with AU-C section 705, was also discussed. This alternative layout was intended to provide more clarity to the practitioner regarding the various modifications that may occur. On balance, the consensus of the ASB was to minimize the changes with respect to the flow of the section and use extant AT-C section 205 as the basis for the layout of the section.

11. ***Other Information*** *(paragraphs .128–.133 and .95–.100 of proposed AT-C sections 205 and 210, respectively)*, ***Including Comparative Information*** *(paragraphs .A209 and*

.A163 of proposed AT-C sections 205 and 210, respectively)

a. Other Information

The requirements and related application material addressing other information are consistent for both an examination and a review engagement and are more robust than those included in extant AT-C sections 205 and 210.

The focus of the requirements has shifted from a requirement in extant AT-C section 205 that is focused solely on "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 the initial communication between the appropriate party and the practitioner about the intention of the appropriate party to include the subject matter information and the practitioner's report thereon in one or more documents that contain other information.

The ASB believes this is the appropriate threshold to use in order to build the requirements to address the responsibilities of the practitioner as it relates to other information. In order to encourage communication with the appropriate party about expectations related to other information, application material has been added to the agreed-upon terms of the engagement that address the responsibilities of the responsible party and the engaging party, if different, in paragraph .A9 of proposed AT-C sections 205 and 210, respectively. The application material states that "the agreed-upon terms of the engagement may include an acknowledgment that the engaging party, prior to inclusion of the practitioner's report in a document or documents containing the subject matter or assertion and other information, agrees to ask whether the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents."

b. Comparative Information

The ASB did not include a definition, requirements, or related application material with respect to comparative information in proposed AT-C sections 205 and 210 because the ASB was of the view that comparative information is not necessarily broadly applicable to all subject matters. Instead, comparative information is addressed in the proposed sustainability information AT-C sections. Paragraphs .A209 and .A163 of proposed AT-C sections 205 and 210, respectively, do reference the interrelationship between comparative information and other information, highlighting that "if the comparative information is not covered by the practitioner's opinion [or conclusion] then it is also other information."

Request for Comment — Matters Affecting Both Proposed AT-C Sections 205 and 210

Definition of Management's Specialist

7. Do respondents agree with the definition of *management's specialist* and whether, as drafted, it is fit for purpose? If not, respondents are requested to provide alternative wording for the term.

Evidence

8. Do respondents agree with the ASB's approach in proposed AT-C sections 205 and 210 with respect to evidence? If not, respondents are requested to explain why. Feedback is requested specifically as it relates to the following:

- Use of the term "evidence" in proposed AT-C section 210, as opposed to the extant term "review evidence"
- Inclusion of a requirement (see paragraph .17 of proposed AT-C section 210) for the practitioner to "evaluate information to be used as evidence" and whether the requirement is appropriately scalable for a review engagement

Subsequent Events and Subsequently Discovered Facts

9. Do respondents agree that the date of the practitioner's report and the report release date are typically so closely aligned that it is not necessary to draw a distinction between the two dates? If not, respondents are requested to describe how prevalent this circumstance may be in practice and provide examples.

Content of the Practitioner's Report and Modifications to the Practitioner's Report

10.

a. Respondents are requested to describe any practice issues or unintended consequences of which respondents are aware that may arise as a result of wording revisions to the proposed baseline attestation standards. These revisions include the following:

- The use of "in accordance with" in the practitioner's reporting requirements, with the concept of "based on" being addressed in the application material.
- The revision of the phrase, when appropriate in the circumstances, from "when possible under applicable law or regulation" to "when practicable."
- The change in the use of the phrase from "statement that" or "state that" to "indicate that." Should this revision be applied elsewhere in the required reporting elements?

b. Do respondents agree with layout, including the headings and sequencing of requirements and related application material, in the section under the heading "Modifications to the Practitioner's Report" in proposed AT-C sections 205 and 210? If not, respondents are requested to explain why.

Other Information, Including Comparative Information

11.

a. Are the revisions to proposed AT-C sections 205 and 210 to address other information appropriate and actionable in the context of attestation engagements? If not, respondents are requested to explain why.

b. Do respondents agree with the ASB's decision to exclude a definition of comparative information from proposed AT-C sections 205 and 210 and related performance and reporting requirements? If not, respondents are requested to explain why and to provide examples of non-sustainability attestation engagements where comparative information is presented and is important to an understanding of the subject matter.

Unintended Different or Disproportionate Effects

12. Given the variety of engagements that may be performed in accordance with proposed AT-C sections 205 and 210, respondents are requested to identify specific types of subject matter or attestation engagements, if any, that may be affected differently or disproportionately by revisions to the proposed AT-C sections. Respondents are requested to also specify how revisions to proposed AT-C sections 205 and 210 would be modified to avoid unintended different or disproportionate effects on certain subject matters or attestation engagements.

Other Observations Regarding Both Proposed AT-C Section 205 and AT-C Section 210

13. Are there any other observations that respondents would like to provide with respect to the significant matters that affect both proposed AT-C sections 205 and 210?

D. Matters Affecting Proposed AT-C Section 205

*1. **Definitions** (paragraph .04 of proposed AT-C section 205)*

The following definitions have been added (adapted as appropriate for attestation engagements):

Population, **sampling**, and **sampling risk** (applicable to proposed AT-C sections 205 and 330). These definitions were developed using paragraph .05 of AU-C section 530, *Audit Sampling,* as the initial basis for each of the defined terms.

Substantive procedure (applicable to proposed AT-C section 205, amended for use in proposed AT-C section 330). The definition was developed using paragraph .A44 of AU-C section 500 as the initial basis for the term. The wording was enhanced to refer specifically to substantive analytical procedures rather than analytical procedures. Consequently, the heading above paragraph .61 of proposed AT-C section 205 has been clarified to reference "Substantive Analytical Procedures" to align with the enhanced wording in the definition. This is consistent with the presentation in AU-C section 520. *(See also section IV.F.2.)*

The following definition in proposed AT-C section 205 has been substantially revised based on the ASB's deliberations:

Risk of material misstatement (applicable to proposed AT-C section 205, amended for use in proposed AT-C section 330). The definition in extant AT-C section 205 is phrased in terms of the objectives of an examination engagement. However, in drafting proposed AT-C section 330, it was noted that the current definition was not readily adaptable for use in a review engagement, because the objectives of a review engagement are phrased differently than those of an examination engagement. The ASB is of the view that the terms should be consistent because the concept of a risk of material misstatement is the same regardless of whether the engagement is an examination or a review of sustainability information. What differs are the procedures the practitioner performs to identify and assess risks of material misstatement in an examination versus a review of sustainability information. Consequently, the proposed defined term aligns more closely with the defined term in paragraph .14 of AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, and paragraph 18 of ISSA 5000. The proposed definition uses the generic term "subject matter" to address both risks of material misstatement that may occur with respect to underlying subject matter and with respect to the subject matter information, depending on the nature of the attestation engagement. *(See also section IV.F.2.)*

In discussing definitions affecting proposed AT-C section 205, the ASB was of the view not to define "further procedures" and "risk assessment procedures," because these terms were deemed to be commonly understood. The ASB also elected not to include a definition of a "practitioner's point estimate or practitioner's range."

2. Use of Other Phrases

Appropriate level for the subject matter (paragraph .35 of proposed AT-C section 205 [first instance of use]). The ASB deliberated extensively about whether to include a definition of "underlying assertions" in proposed AT-C section 205. The ASB believes that the concept of "underlying assertion" is not relevant for all subject matters, for example, engagements to report on the operating effectiveness of internal control. However, the ASB does recognize that the risk assessment procedures and the responses to address the identified and assessed risks of material misstatement need to be performed at the "appropriate level for the subject matter." In some circumstances, depending on the subject matter, this may be at the underlying assertion level. The ASB has provided application material to explain and expand on this concept in paragraph .A71 of proposed AT-C section 205. The application material lists the underlying assertions or characteristics that may be implicit in certain subject matters, for example, sustainability matters or pro forma financial information. *(See also section IV.F.3a.)*

3. Using the Work of a Practitioner's Specialist *(paragraph .11 of proposed AT-C section 205)*

The requirements and related application material as it relates to a practitioner's specialist have been moved under the heading "Engagement Resources." The reason for doing so is that a practitioner's internal specialist is a member of the engagement team and, therefore, an engagement resource. Similarly, as noted in "Matters Affecting Proposed AT-C Section 105 — Difference Between an Engagement Resource and Sources of Information to Be Used as Evidence," an example of an engagement resource provided in paragraph .A91 of QM section 10 is an "auditor's external expert;" thus, by inference, a practitioner's external specialist is also an engagement resource.

In addition, the requirement in paragraph .37*a* of extant AT-C section 205 has been bifurcated between paragraph .11*a* and paragraph .11*b* of proposed AT-C section 205 for the following reasons:

- *Paragraph .11*a. The work effort verb with respect to the practitioner's internal specialist has changed to "determine," which aligns with the work effort verb used for assessing that (1) the participating practitioner and (2) members of the engagement team have the appropriate competence and capabilities (see paragraphs .45*b* and .42*b*, respectively, of proposed AT-C section 105). Further, the revised requirement does not include the necessity for the internal specialist to be objective, as that is covered as part of the ethical requirements of the practitioner's internal specialist.
- *Paragraph .11*b. The work effort verb "evaluate" has been retained as it relates to the practitioner's external specialist and is consistent with paragraph .09 of AU-C section 620, *Using the Work of an Auditor's Specialist*.

4. ***Using Internal Auditors to Provide Direct Assistance*** *(paragraphs .14–.18 of proposed AT-C section 205)* ***and Using the Work of the Internal Audit Function*** *(paragraphs .28– .31 of proposed AT-C section 205)*

Those requirements that are applicable specifically when using internal auditors to provide direct assistance have been bifurcated from those that address using the work of the internal audit function in order to clarify for the practitioner what requirements are relevant given the applicable circumstances. Because paragraph .42*b* of proposed AT-C section 105 requires the engagement partner to determine that members of the engagement team, and any practitioner's external specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have the appropriate competence and capabilities, the requirements relating to using internal auditors to provide direct assistance have also been reflected under the heading "Engagement Resources."

The requirements addressing using internal auditors to provide direct assistance are more robust than extant because the ASB believes that, regardless of whether an audit or attestation engagement is being performed, the considerations should be consistent. The requirements have been enhanced leveraging AU-C section 610.

5. ***Risk Assessment Procedures*** *(paragraphs .35–.47 of proposed AT-C section 205)*

GAAS, as it relates to risk assessment, has evolved since the issuance of SSAE No. 18. In order to drive appropriate consistency in practice, the ASB is of the view that a sufficiently robust and appropriate risk assessment is also pivotal to the examination engagement. Consequently, the proposed SSAE requires practitioners to obtain a more in-depth understanding of the development of the subject matter than is currently required in order to better identify the risks of material misstatement in an examination engagement. This, in turn, should lead to an improved linkage between assessed risks and the nature, timing, and extent of procedures performed when responding to the assessed risks of material misstatement.

The ASB leveraged AU-C section 315, as appropriate, in enhancing the requirements, while recognizing that proposed AT-C section 205 was applicable to all subject matters. The ASB, therefore, focused on developing requirements that were appropriately principles based. For example, paragraph .36 of proposed AT-C section 205 requires the practitioner to obtain an understanding of internal control over the preparation, measurement, or evaluation of the subject matter in accordance with (or based on) the criteria but does not prescribe what the practitioner should do in order to achieve the intent of the requirement given the diversity of the subject matters. Instead, application material in paragraphs .A72–.A75 of proposed AT-C section 205 provides guidance that may be useful to the practitioner, including circumstances in which it may be appropriate for the practitioner to understand components of the entity's internal control relevant to the subject matter information.

Paragraph .15 of extant AT-C section 205 includes a requirement to evaluate the design of those controls relevant to the subject matter and determine whether they have been implemented as part of obtaining the understanding of internal control over the preparation of the subject matter. The ASB believes this was based on the prior version of AU-C section 315, and consequently, the ASB has not carried forward this extant wording. Instead, design and implementation of controls when the subject matter of the engagement is not internal control is addressed in paragraph .45 of proposed AT-C section 205, which is drafted to align with paragraph .30 of AU-C section 315, as revised.

The ASB deliberated extensively about the applicability of paragraphs .44 and .45 of proposed AT-C section 205 when the subject matter is internal control. The ASB weighed the benefits of moving forward with proposed requirements that would be applicable to all subject matters, including internal control. Ultimately, the ASB believed that it was prudent to carve out the applicability of certain internal control–related paragraphs for engagements where the subject matter is internal control (*a*) because AT-C section 320 provides appropriate requirements to address controls at a service organization and (*b*) until such time as the ASB can more fully consider the topic when the subject matter is internal control that is not subject to AT-C section 320. In doing so, the ASB amended the headers above paragraphs .44 and .45 of proposed AT-C section 205, respectively, to explicitly highlight that the applicability of these requirement paragraphs is limited to those engagements "when the subject matter of the engagement is not internal control." In addition, paragraph .A86 of proposed AT-C section 205 was added to also provide guidance to the practitioner in determining the nature, timing, and extent of procedures when performing an examination in which internal control is the subject of the engagement.

The ASB enhanced proposed AT-C section 205 by reinforcing that the procedures performed by the practitioner should encompass the risk of material misstatement due to both fraud and error. Given the more granular requirements included in the proposed SSAE as it relates to fraud or suspected fraud, and instances of noncompliance or suspected noncompliance with laws or regulations, the ASB believes that it is appropriate to similarly enhance the practitioner's work effort as it relates to fraud in other aspects of the examination engagement. To that end, the phrase "whether due to fraud or error" was added to

- risk assessment procedures (paragraphs .35 and .37 of proposed AT-C section 205) — specifically enhanced the requirements relating to understanding the subject matter and other engagement circumstances and the engagement team discussion, respectively.
- responding to risks of material misstatement (paragraph .49 of proposed AT-C section 205) — enhanced the requirement for the practitioner when designing and performing further procedures in response to the assessed risks of material misstatement.

No changes have been made to the required reporting elements in the practitioner's report for proposed AT-C section 205 to reflect this enhanced work effort by the practitioner.

6. ***Responding to Risks of Material Misstatement*** *(paragraphs .48–.71 of proposed AT-C section 205)*

The ASB discussed the applicability of tests of controls to all subject matters. For reasons previously mentioned addressing internal control, the ASB is of the view that paragraphs .52 and .53 of proposed AT-C section 205 would be applicable to all subject matters (consistent with extant AT-C section 205), while the enhanced requirements in paragraphs .54–.58 of proposed AT-C section 205 would be applicable only for those engagements when the subject matter is not internal control. This bifurcation of the tests-of-controls requirements between those applicable to all subject matters and those when the subject matter of the engagement is not internal control has been made clear (*a*) in the heading above paragraph .54 of proposed AT-C section 205 and (*b*) by cross-references to guidance in paragraph .A86 of proposed AT-C section 205 that addresses circumstances in which the subject matter of the examination engagement either is or is not internal control.

The requirements in paragraphs .54–.58 were enhanced with respect to tests of controls primarily for consistency with certain requirements in AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, so that practitioners need not reference other standards in AICPA *Professional Standards* for guidance in performing these procedures.

The new procedures include the following:

- Paragraph .54 of proposed AT-C section 205 consistent with paragraph .10 of AU-C section 330 to be applied when the practitioner intends to rely on the operating effectiveness of controls.
- Paragraph .55 of proposed AT-C section 205 consistent with paragraph .11 of AU-C section 330 and paragraph 133 of ISSA 5000 that would require the practitioner to test controls for the appropriate period for which the practitioner intends to rely on those controls.
- Paragraph .56 of proposed AT-C section 205 consistent with paragraph .12 of AU-C section 330. The requirement is broader than the corresponding requirement in paragraph 134 of ISSA 5000 in that ISSA 5000 does not require the practitioner to determine the

additional evidence to be obtained for the remaining period. The ASB believes that the requirement in paragraph .12 of AU-C section 330 is appropriate for AT-C section 205.

- Paragraph .57 of proposed AT-C section 205 consistent with paragraph .14 of AU-C section 330 and paragraph 135 of ISSA 5000 with respect to benchmarking tests of controls.
- Paragraph .58 of proposed AT-C section 205 consistent with paragraph .16 of AU-C section 330 and paragraph 137 of ISSA 5000.

The ASB did not include requirements to address forward-looking information in proposed AT-C section 205 because of the concern that doing so may unintentionally cause confusion about when to apply AT-C section 305. Further, for engagements performed in accordance with AT-C section 320, practitioners typically treat forward-looking information as other information, and as such, inclusion of requirements addressing forward-looking information is not perceived to be broadly relevant to all subject matters.

Supplements to the Exposure Draft

The supplements to this exposure draft include a draft of proposed AT-C section 205 marked from extant that identifies the proposed changes that have been made.

Request for Comment — Matters Affecting Proposed AT-C Section 205

Appropriately Aligned With GAAS

14. Do respondents agree that the revisions to proposed AT-C section 205 appropriately align the requirements related to obtaining reasonable assurance in an examination engagement with the requirements in generally accepted auditing standards (GAAS) related to obtaining reasonable assurance in an audit of financial statements? If not, respondents are requested to explain why.

Risk Assessment Procedures and Responding to Risks of Material Misstatement

15. Do respondents agree with the approach taken by the ASB with respect to controls for purposes of proposed AT-C section 205 by limiting the applicability of certain requirements when the subject of the engagement is not internal control? If not, respondents are requested to explain why. Respondents are requested to also provide perspectives about whether the use of headings and application material is sufficient to enable the practitioner, when performing an examination engagement, to differentiate between requirements that are applicable to all subject matters and requirements that are relevant only when the subject matter of the engagement is not internal control.

Other Observations Regarding Proposed AT-C Section 205

16. Are there any other observations that respondents would like to provide with respect to significant matters that affect proposed AT-C section 205?

E. Matters Affecting Proposed AT-C Section 210

1. Work Effort Differences Between Proposed AT-C Section 210 and Proposed AT-C Section 205

The ASB focused its attention on the use of verbs throughout the course of the project, in particular, the use of the verbs "determine," "evaluate," and "consider." In those instances where the requirement for an examination and a review engagement was identical except for the use of work effort verb, the ASB challenged whether the outcome was intended to be different such that it warranted a different verb. In many instances, the ASB aligned the usage of verbs between proposed AT-C sections 205 and 210.

Two such work effort differences have been identified:

- *Estimates* (paragraphs .64 and .32 of proposed AT-C sections 205 and 210, respectively). The ASB is of the view that the usage of the verb "evaluate" with respect to performing substantive procedures addressing estimates in an examination engagement is appropriate. Similarly, in the context of a review engagement, the practitioner is required, for those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated with respect to estimates, to "consider" the outcome of the procedures performed (where such procedures encompass inquiry and other procedures as necessary). Likewise, the ASB believes the work effort is appropriate given that the practitioner primarily performs inquiries and analytical reviews in a review engagement performed in accordance with proposed AT-C section 210.
- *Accumulation of identified misstatements* (see paragraphs .73 and .41 of proposed AT-C sections 205 and 210, respectively). The ASB believes in this instance that the requirements as drafted are appropriate. *(See also section IV.C.6.)*

2. ***Definitions*** *(paragraph .04 of proposed AT-C section 210)*

The following definition in proposed AT-C section 210 has been substantially revised:

Modified conclusion. The definition was revised to reflect that review engagements now allow for a disclaimer of conclusion.

3. ***Consideration of Concepts Not Directly Addressed in AT-C Section 210*** *(paragraph .14 of proposed AT-C section 210)*

As part of the efforts to address the scalability of proposed AT-C section 210, the ASB is of the view that it is not necessary to include certain concepts, specifically regarding using the work of a practitioner's specialist, using internal auditors to provide direct assistance, using the work of the internal audit function, tests of controls, and sampling. Because inquiries and analytical procedures are emphasized as the primary procedures necessary to obtain limited assurance, the aforementioned concepts are not expected to be common. When a practitioner determines procedures related to one or more of these concepts are necessary in a review engagement, the relevant requirements in proposed AT-C section 205 should apply, adjusted as appropriate for a review engagement. Accordingly, paragraph .14 of proposed AT-C section 210 was developed, leveraging paragraph .27 of extant AT-C section 210, whereby the practitioner is directed to proposed AT-C section 205 for additional requirements (and the related application material) as it relates to those concepts. Further, the ASB noted that, in doing so, the attestation standards continue to be a self-contained suite of standards.

4. ***Identifying Areas in Which a Material Misstatement Is Likely to Arise*** *(paragraphs .20–.24 of proposed AT-C section 210)*

The ASB retained the concept in extant AT-C section 210 that the practitioner is not required to perform risk assessment procedures in order to identify areas in which a material misstatement is likely to arise. Instead, consistent with the approach in obtaining limited assurance in a financial statement review performed in accordance with the SSARSs, the practitioner uses professional judgment to identify those areas. This approach is commonly referred to as the practitioner's "risk awareness" to contrast it with the concept of a risk assessment in an engagement to obtain reasonable assurance. However, while AT-C section 210 does not require the performance of risk assessment procedures, such procedures are not precluded. This approach allows such procedures to be considered for purposes of the subject-matter AT-C sections, where the circumstances of the engagement necessitate that such procedures be performed, such as proposed AT-C section 330.

Likewise, the ASB is of the view that the reference in paragraph .A50 of proposed AT-C section 210 to internal control was appropriate and did not need to be further enhanced for the purposes of a review engagement. In this way, and again consistent with the concepts in a financial statement review performed in accordance with the SSARSs, the practitioner is not required to obtain an understanding of internal control. Like the approach to risk assessment procedures, because AT-C section 210 does not preclude the performance of procedures to obtain an understanding of internal control, such procedures may be considered for purposes of the subject-matter AT-C sections, where the circumstances of the engagement necessitate that such procedures be performed, such as proposed AT-C section 330.

5. ***Responding to Areas in Which a Material Misstatement Is Likely to Arise*** *(paragraphs .25–.39 of proposed AT-C section 210)*

The focus in a review engagement, consistent with existing practice, remains on the performance of inquiries and analytical procedures. The requirements in this section have been enhanced by the inclusion of additional procedures related primarily to estimates and responding to fraud or suspected fraud or noncompliance or suspected noncompliance with laws or regulations. The ASB does not believe that the inclusion of such procedures changes the nature of a review engagement.

6. ***Modifications to the Practitioner's Report*** *(paragraphs .79–.91 of proposed AT-C section 210)*

The proposed revisions made in this area are primarily in response to comments received relating to the Proposed SSAE *Scope Limitations in a Review Engagement*. The ASTF, in making their recommendations to the ASB, faithfully read and considered all the comments. The proposed revisions allow for the practitioner to either modify the conclusion, including potentially issuing a disclaimer of conclusion, or withdraw from the engagement when practicable.

The requirements have been structured in such a manner that when the practitioner is unable to obtain sufficient appropriate evidence on which to base the practitioner's conclusion and the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive, the practitioner should withdraw from the engagement, when practicable. Only if circumstances are such that the practitioner determines that it is not practicable to withdraw, should the practitioner disclaim a conclusion; that is the practitioner should only issue a disclaimer of conclusion if no other alternatives are available. This approach results in the primary action being withdrawal when a scope limitation exists but provides appropriate flexibility that is not included in extant AT-C section 210. A disclaimer of conclusion is not explicitly permitted in a review of financial statements performed in accordance with the SSARSs. However, in a financial statement scenario, the practitioner may be able to convert the review engagement to a compilation, in which the report issued is largely consistent with a disclaimer of conclusion.

Supplements to the Exposure Draft

The supplements to this exposure draft include a draft of proposed AT-C section 210 marked from extant that identifies the proposed changes that have been made.

Request for Comment — Matters Affecting Proposed AT-C Section 210

Maintaining the Integrity of a Limited Assurance Engagement

17. Do respondents agree that the revisions to proposed AT-C section 210 are appropriate and that the proposed requirements maintain the integrity of an engagement to provide limited assurance? If not, respondents are requested to explain why.

Other Observations Regarding Proposed AT-C Section 210

18. Are there any other observations that respondents would like to provide with respect to significant matters that affect proposed AT-C section 210?

F. Matters Affecting Both Proposed AT-C Sections 325 and 330

The requirements (both incremental to the proposed baseline attestation standards and unique to the proposed sustainability information AT-C sections) and related application material have been included in the proposed sustainability information AT-C sections because the ASB believes that such requirements are essential to performing an engagement on sustainability information in the U.S. Further, proposed AT-C section 330 includes more robust procedures when compared to the procedures required by proposed AT-C section 210; the ASB believes the more robust procedures when reporting on sustainability information are appropriate as they are commensurate with the unique nature of the subject matter.

1. ***Scope of This Proposed Section*** *(paragraph 09 of proposed AT-C sections 325 and 330)*

The ASB noted that proposed AT-C sections 325 and 330 may not be applicable to all attestation engagements that include an element of sustainability activity. Given that providing assurance on sustainability information is still evolving, it may be challenging for practitioners to establish what engagements may be in scope for proposed AT-C sections 325 and 330, as opposed to only the proposed baseline attestation standards applying to the subject matter of the attestation engagement. To assist, application material states that the underlying subject matter and criteria used that resulted in the subject matter information on which the practitioner is engaged to perform an attestation engagement may be used to determine if the primary subject matter of a practitioner's attestation engagement is sustainability information and, therefore, in scope of the sustainability information AT-C sections. An example is provided to highlight the scenario contemplated by the ASB to provide further guidance to practitioners on this topic.

2. ***Definitions*** *(paragraph 15 of proposed AT-C sections 325 and 330)*

The following definitions are unique to proposed AT-C section 330. These defined terms are included in proposed AT-C section 205 but not defined in proposed AT-C section 210: **population**; **risk of material misstatement**; **sampling**; **sampling risk**; **substantive procedure**; and **test of controls**.

Most of the other definitions listed in the sustainability information AT-C sections have been developed using the definitions in paragraph 18 of ISSA 5000 as the initial basis.

The ASB specifically discussed the following defined terms:

> **Comparative information** (applicable to proposed AT-C sections 325 and 330). Although the defined term does not align with the definition in paragraph 18 of ISSA 5000, it is not intended to drive a different practitioner behavior; instead, the revisions are intended to clarify the ISSA 5000 defined term based on the ASB's understanding of the IAASB's intent.
>
> The revisions are intended to address the following:
>
> - "Sustainability information" is also a defined term in ISSA 5000. The inclusion of this term in the ISSA 5000 "comparative information" definition has resulted in the

unintended consequence of a perception that comparative information is limited to only that information covered by the practitioner's opinion (in an examination engagement) or conclusion (in a review engagement).

- The definition in ISSA 5000 is very broad, as it extends to all information presented for one or more prior periods, regardless of whether such information is presented for comparison to the current-period sustainability information. *(See also section IV.F.12.)*

Group; group sustainability attestation engagement; and **group sustainability information** (applicable to proposed AT-C sections 325 and 330). The ASB did not have any concern with respect to the defined terms addressing the topic of group attestation engagements. However, ASB members noted that, although the defined terms have first been used in the proposed sustainability information AT-C sections, the ASB is of the view that there is nothing prohibiting a practitioner from performing a group attestation engagement using the proposed baseline attestation standards. In making this observation, it was also noted that the ASB views the term **participating practitioner**, as defined in proposed AT-C section 105, as having the same meaning as a "component practitioner," as defined in paragraph 18 of ISSA 5000.

Risk of material misstatement (applicable to proposed AT-C section 205, amended for use in proposed AT-C section 330). When including the definitions from proposed AT-C section 205 to be used in proposed AT-C section 330, the definition was tailored for use in the context of the sustainability information AT-C section. Consequently, the more generic term "subject matter" in the defined terms **risk of material misstatement** and **test of controls** in proposed AT-C section 205 was replaced with "sustainability information." "Sustainability information" is the "subject matter information" for the purposes of an engagement to report on sustainability information. *(See also section IV. D.1.)*

Service organization (applicable to proposed AT-C sections 325 and 330). This term is used in paragraphs 51 and 65 of proposed AT-C sections 325 and 330, respectively, as well in application material. To clarify the intended meaning in the context of an engagement to report on sustainability information, a defined term was included leveraging the definition in AT-C section 320. Application material was also added to provide the context in which the ASB believes the services provided by the service organization would be of most relevance.

Substantive procedure (applicable to proposed AT-C section 205, amended for use in proposed AT-C section 330). While the ASB concurred with the inclusion of the defined term in proposed AT-C section 330, concern was expressed with the word "substantive" modifying "analytical procedures." It was noted that, for a review engagement, analytical procedures may not necessarily be as precise as those performed for an examination engagement and to characterize them as "substantive," even in the context of a review engagement to report on sustainability information, would be confusing. In response, the ASB removed the word "substantive" as a modifier to the phrase "analytical procedures" throughout proposed AT-C section 330. As a result, the proposed definition is consistent with ISSA 5000 in this respect.

It should, however, be noted that

- paragraph A180 of proposed AT-C section 330 still describes analytical procedures that are performed in response to an assessed risk of material misstatement as being substantive in nature and includes a reference to paragraph .30*c* of proposed AT-C section 210, which requires the practitioner to develop an expectation with respect to recorded amounts or ratios. This is consistent with paragraph A42 of ISSA 5000.
- paragraph A173 of proposed AT-C section 330 discusses the difference in the work effort as it relates to the further procedures performed between an examination and a review engagement. Certain of the examples provided address the extent of analytical procedures performed in an examination engagement when contrasted with a review engagement.

Underlying assertions (applicable to proposed AT-C section 325). The ASB included this definition because it is fundamental to the performance of the procedures with respect to sustainability disclosures in an examination engagement. This definition (and the related application material in paragraph A24 of proposed AT-C section 325) is intended to build off the concept in paragraph .A71 of proposed AT-C section 205. *(See also section IV.D.2.)*

3. Use of Terms, Phrases, and Headings

a. Terms and Phrases

As outlined in the drafting guidelines, where different terms or phrases are used in the proposed baseline attestation standards when compared to the subject-matter AT-C sections, essential material or application material may be added to clarify this for the practitioner to enable the effective implementation of the building blocks approach. (See appendix B for further information on the structure of the attestation standards, including other drafting conventions.)

Appropriate level for the subject matter. Paragraph 16 of proposed AT-C section 325 includes essential material that clarifies that “appropriate level for the subject matter” should be read as “underlying assertion level for the sustainability disclosures.”

Responsible party and management. Application material has been added in paragraph A25 of proposed AT-C sections 325 and 330 that clarifies that for purposes of the sustainability information AT-C sections, the responsible party (as referenced in proposed AT-C sections 205 and 210) is presumed to be the management of the entity for which the practitioner is performing the attestation engagement on sustainability information.

Upper end of the spectrum of risk. The ASB considered the use of the term “significant risk.” It is defined in paragraph .12 of AU-C section 315 as follows:

> An identified risk of material misstatement
>
> i. for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, or
>
> ii. that is to be treated as a significant risk in accordance with the requirements of other AU-C sections.

Given that the definition contemplates inherent risk, which is not a concept used in the attestation standards, the consensus of the ASB was not to use the term “significant risk.”

Based on further discussions, the ASB agreed to use the phrase “upper end of the spectrum of risk” (a phrase used in ISSA 5000) to convey the intent of certain requirements. The ASB believes that it is appropriate to introduce the concept of a “spectrum of risk” because, in certain instances, the practitioner may only design and perform procedures if the identified risk of material misstatement is on the upper end of the spectrum of risk.

Certain requirements in proposed AT-C sections 325 and 330 are applicable in circumstances in which risks at the upper end of the spectrum of risk are identified. Application material has been proposed to support the use of the concept in the sustainability information AT-C sections (see paragraphs A154 and A160 of proposed AT-C sections 325 and 330, respectively). The guidance is as follows:

> The combination of the likelihood and magnitude of a potential misstatement determines where within the spectrum of risk the identified risk is assessed. Making this assessment informs the practitioner’s design of further procedures to address the risk. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk.

It is noted that while the phrase is primarily used in proposed AT-C sections 325 and 330, it is also used once in the proposed baseline attestation standards, specifically, paragraph .A95 of proposed AT-C section 105.

b. Headings

While every effort was made to ensure that the headings and subheadings aligned for purposes of implementing the building blocks approach, in certain limited instances, the ASB intentionally used a different header with respect to a certain level of service when comparing the related headings in the 200 series and 300 series AT-C sections. This was intended to be descriptive of the requirement paragraphs under the header but also reflective of the outcome of the related requirements given the engagement circumstances. For example, proposed AT-C section 210 uses the headings “Identifying Areas in Which a Material Misstatement Is Likely to Arise” and “Responding to Areas in Which a Material Misstatement Is Likely to Arise,” whereas proposed AT-C section 330 uses related headings “Risk Assessment Procedures” and “Responding to Risks of Material Misstatement.”

4. ***Requirements in This Proposed Section That Adapt the Related Requirements in Proposed AT-C Section 205 (or 210)*** *(paragraphs 17 and 16 of proposed AT-C sections 325 and 330, respectively)*

The proposed sustainability information AT-C sections deal with circumstances that, in the ASB's opinion, require certain procedures that differ from the corresponding requirements in the proposed baseline attestation standards. In order to maintain the building blocks approach, the proposed sustainability information AT-C sections have adapted the corresponding requirements of the baseline AT-C sections in order to achieve the objective of those requirements in the circumstances of an attestation engagement on sustainability information. (See appendix B for further information on the structure of the attestation standards, including other drafting conventions.)

a. Requirements Adapted in Proposed AT-C Section 325 (paragraph 17 of proposed AT-C section 325)

Control activities. The requirement in paragraph .44 of proposed AT-C section 205 for the practitioner to identify controls is conditional upon whether the practitioner intends to obtain evidence about the operating effectiveness of controls (when the subject matter of the engagement is not internal control). Paragraph 54 of proposed AT-C section 325 adapts this requirement by removing the conditionality and requiring the practitioner to obtain an understanding of control activities in all examination engagements of sustainability information.

Design and implementation of controls. The requirement in paragraph .45 of proposed AT-C section 205 builds on paragraph .44 of that section. Accordingly, paragraph 55 of proposed AT-C section 325 adapts paragraph .45 of proposed AT-C section 205, as paragraphs .54 and .55 of proposed AT-C section 325 are similarly linked.

b. Requirements Adapted in Proposed AT-C Section 330 (paragraph 16 of proposed AT-C section 330)

See the explanation below outlined in the topic "Using the Work of a Practitioner's Specialist; Using Internal Auditors to Provide Direct Assistance; Using the Work of the Internal Audit Function; Tests of Controls; and Sampling."

5. ***Acceptance and Continuance of the Attestation Engagement***

The ASB, consistent with its previous decisions, is of the view that it is not necessary to require communications between the practitioner and a predecessor practitioner in connection with the acceptance of an attestation engagement, in part, because attestation engagements have traditionally not been recuring in nature; therefore, and consequently, there may not necessarily be a predecessor practitioner in all instances. Application material has been included in paragraph .A45 of proposed AT-C section 105 to provide guidance to the practitioner in the event that the practitioner determines that it is necessary to communicate with a predecessor practitioner.

It is, however, anticipated that engagements to report on sustainability information may recur more frequently. Consequently, the ASB is interested in understanding the practical implications of requiring such communications when the practitioner is determining whether to accept an engagement to report on sustainability information.

6. ***Suitability and Availability of Criteria*** *(paragraphs 22 and 21 of proposed AT-C sections 325 and 330, respectively)* and ***Determining the Suitability of the Criteria*** *(paragraphs 43 and 56 of proposed AT-C sections 325 and 330, respectively)*

The application material addressing the characteristics of suitable criteria (sourced from paragraphs A340–A342 of ISSA 5000 with respect to neutrality and understandability, and paragraph A339 of ISSA 5000 with respect to reliability) that has been included in paragraphs A87–A94 and A104–A111 of proposed AT-C sections 325 and 330, respectively, has been positioned in terms of objectivity and measurability so as to provide the appropriate linkage to the characteristics outlined in paragraph .A58 of proposed AT-C section 105.

7. ***Agreeing the Terms of the Examination (or Review) Engagement*** *(paragraphs 24–25 and 23–24 of proposed AT-C sections 325 and 330, respectively)* ***and Written Representations*** *(paragraphs 74 and 92 of proposed AT-C sections 325 and 330, respectively)*

The ASB believes that in an engagement to report on sustainability information, given that the practitioner is required to obtain an understanding of the components of the entity's system of internal control, the responsibilities of management or those charged with governance, as appropriate, should in the agreed-upon terms of the engagement explicitly reference their responsibilities with respect to the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error. Consequently, the ASB added this responsibility to the agreed-upon terms of the engagement as well as to written representations. This clarification aligns with the new related reporting element included in paragraphs 78*e* and 97*e* of proposed AT-C sections 325 and 330, respectively, of the practitioner's report

8. ***Using the Work of a Practitioner's Specialist*** *(paragraphs 27–29 of proposed AT-C section 330)****; Using Internal Auditors to Provide Direct Assistance*** *(paragraphs 30–34 of proposed AT-C section 330)****; Using the Work of the Internal Audit Function*** *(paragraphs 45–48 of proposed AT-C section 330)****; Tests of Controls*** *(paragraphs 75–81 of proposed AT-C section 330)****; and Sampling*** *(paragraph 84 of proposed AT-C section 330)*

The requirements and related application material associated with these concepts are not included in proposed AT-C section 210 (see paragraph .14 of proposed AT-C section 210) because they are not believed to be common in review engagements. However, the ASB believes that circumstances may arise more frequently where these concepts are relevant in a review engagement to report on sustainability information and, accordingly, has included the related procedures in proposed AT-C section 330, without modification, leveraging the related requirements in proposed AT-C section 205.

With respect to tests of controls, the ASB believes that a practitioner would typically approach testing controls in the same manner whether performing an examination engagement or a review engagement; however, the extent of procedures performed when testing controls would likely differ. Paragraph A173 of proposed AT-C section 330 is intended to highlight differences between the practitioner's further procedures for an examination and a review of sustainability information.

9. ***Estimates and Forward-Looking Information*** *(paragraphs 66–67 and 85 of proposed AT-C sections 325 and 330, respectively)*

Requirements relating to forward-looking information are not included in the proposed baseline attestation standards. Because forward-looking information is commonly found in an engagement to report on sustainability information, the ASB included these requirements in the sustainability information AT-C sections (adapted as appropriate). Because the requirements for estimates and forward-looking information are the same, rather than repeat them, the ASB included essential material that highlighted that the estimate requirements in the proposed baseline attestation standards also apply to forward-looking information.

10. ***Content of the Practitioner's Report*** *(paragraphs 78 and 97 of proposed AT-C sections 325 and 330, respectively)*

The ISSA 5000 assurance report requires, at a minimum, certain basic elements (see paragraph 190 of ISSA 5000). These elements include the mandating of headings and the ordering of certain report sections, such as having the opinion in the first section of the assurance report. The ASB, consistent with the approach in extant AT-C sections 205 and 210, maintained the current reporting requirements in the baseline standards, which allow flexibility in terms of how practitioners organize the report, provided the report includes all required elements. Consequently, this approach was adopted for proposed AT-C sections 325 and 330 for consistency in the proposed attestation standards.

Differences between examination reports prepared in accordance with proposed AT-C section 205 and examination reports prepared in accordance with proposed AT-C section 325, and between review reports prepared in accordance with proposed AT-C section 210 and review reports prepared in accordance with proposed AT-C section 330, are as follows:

- Reports prepared in accordance with proposed AT-C sections 325 and 330 specify that the responsibilities of management and those charged with governance include the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error. Reports prepared in accordance with AT-C sections 205 and 210 do not require that this responsibility of the responsible party be specified in the practitioner's report.

- Reports prepared in accordance with proposed AT-C sections 325 and 330 specify that the inherent limitations of the attestation engagement include inherent limitations relating to forward-looking information included in the sustainability information, consistent with reports prepared in accordance with ISSA 5000. Sustainability information often includes forward-looking information.
- Reports prepared in accordance with proposed AT-C sections 325 and 330 include a description of an examination and a review that is more extensive and detailed than that included in reports prepared in accordance with proposed AT-C sections 205 and 210.
  - — An examination report prepared in accordance with proposed AT-C section 325 includes language consistent with an audit report describing reasonable assurance, the risk of not detecting a material misstatement resulting from fraud, materiality, risk assessment procedures performed at the underlying assertion level for the disclosures, and performing procedures that are responsive to the assessed risk of material misstatement.
  - — A review report prepared in accordance with proposed AT-C section 330 includes language describing the risk of not detecting a material misstatement resulting from fraud, materiality, that a review includes performing procedures to obtain evidence, risk assessment procedures performed at the disclosure level, and performing procedures that are responsive to the assessed risk of material misstatement.

The ASB believes that these differences are appropriate based on the nature of examination and review engagements on sustainability information and the expectations of users of practitioners' reports on sustainability information.

Note that the description of risk procedures performed in an examination report prepared in accordance with proposed AT-C section 325 differs from the description of risk procedures performed in an review report prepared in accordance with proposed AT-C section 330 only in that the examination report states that risk assessment procedures are performed *at the underlying assertion level for the disclosures*, whereas the review report states that risk assessment procedures are performed *at the disclosure level*. This is consistent with the comparable reports prepared in accordance with ISSA 5000.

11. Engagement Conducted in Accordance With Both the Attestation Standards and ISSA 5000

A practitioner performing an engagement in accordance with the proposed attestation standards and ISSA 5000 is required by paragraphs .110 and .77 of proposed AT-C section 205 and AT-C section 210, respectively, to conduct the engagement in accordance with both sets of standards in their entirety. As this includes reporting requirements, a practitioner's report in accordance with both the proposed attestation standards and ISSA 5000 is required to include all the reporting elements required by proposed AT-C sections 325 or 330, as well as all the reporting elements required by ISSA 5000. Proposed AT-C sections 325 and 330 include illustrative reports for engagements that have been conducted in accordance with both the proposed attestation standards and ISSA 5000.

The supplement to this exposure draft "Draft Substantial Differences in Requirements Between ISSA 5000 and the Attestation Standards" may be used by practitioners to identify any additional procedures required by ISSA 5000 and differences in reporting requirements.

*12. **Comparative Information** (paragraphs 19 and 81–85 of proposed AT-C section 325 and paragraphs 18 and 100–104 of proposed AT-C section 330)*

The ASB discussed whether the proposed SSAE should include requirements and application material to address comparative information. Concern was raised about a number of issues, including that

- comparative information in sustainability reporting is an evolving and complex area.
- there was a lack of common understanding about
  - — what comprises comparative information;
  - — what the practitioner's responsibilities are with respect to comparative information;
  - — what procedures should be performed; and
  - — what the practitioner's report should include about comparative information.

a. Comparative Information in Sustainability Reporting Is an Evolving and Complex Area

Comparative information presented in sustainability information to be reported by the entity is an evolving and complex area. Criteria may be silent about whether comparative information should be presented, thereby driving voluntary presentation and inconsistency across how it is presented. Furthermore, frameworks may provide flexibility on the presentation of comparative information, including exemptions on first-time adoption of the criteria, and the extent of comparative information to present. There are also unique facts and circumstances that may affect the practitioner's responsibilities for the comparative information and how to address the comparative information in the practitioner's report. Accordingly, the proposed requirements addressing comparative information are principles based to allow for flexibility for the wide variety of circumstances, while providing sufficient clarity to drive consistency in practice.

b. What Comprises Comparative Information

The revised definition in proposed AT-C sections 325 and 330 is as follows (differences from paragraph 18 of ISSA 5000 are intended to clarify the definition):

> **Comparative information.** Information for one or more prior periods presented for comparison to the current-period sustainability information. Comparative information may be presented as of multiple dates or cover multiple periods.

c. What Are the Practitioner's Responsibilities With Respect to Comparative Information

The practitioner's responsibilities with respect to comparative information may be included in the framework criteria or law or regulation or in the agreed-upon terms of the engagement and are driven by

i. whether the framework criteria or law or regulation requires comparative information to be presented. The requirement in paragraphs 82 and 101 of proposed AT-C sections 325 and 330, respectively, to evaluate the comparative information only applies if it is required to be presented. When comparative information is voluntarily presented, it either forms part of the engagement (that is, it is covered by the practitioner's opinion or conclusion (see item (ii1) below)) or is subject to the requirements for other information (see item (ii2) below).

ii. whether the comparative information is required to, or otherwise will be, covered by the practitioner's opinion or conclusion.

    1. If the comparative information is covered by the practitioner's opinion or conclusion, then it is also sustainability information and subject to all the requirements of the AT-C sections, as applicable to the level of service, because it forms part of the engagement.

    2. If the comparative information is not covered by the practitioner's opinion or conclusion, then it is also other information and subject to the requirements relevant to other information in proposed AT-C sections 205, 210, 325, and 330, as applicable.

d. What Procedures Should Be Performed

The ASB does not believe that it is appropriate to extend the requirement in paragraphs 82 and 101 of proposed AT-C sections 325 and 330, respectively, to circumstances in which the comparative information is voluntarily presented (and not covered by the practitioner's opinion or conclusion), as doing so would go beyond the practitioner's general responsibility to read the other information. Instead, the ASB included paragraphs A214 and A224 of proposed AT-C sections 325 and 330, respectively, that provide suggested procedures that may be performed on voluntary comparative information.

Nevertheless, if the practitioner becomes aware of a potential material misstatement in the comparative information (even if voluntarily presented), the ASB believes that the practitioner should still respond appropriately. Accordingly, paragraphs 83 and 102 of proposed AT-C sections 325 and 330, respectively, apply to all comparative information, not only comparative information required by framework criteria or law or regulation. The proposed sustainability information AT-C sections include specific linkages to the performance requirements in proposed AT-C sections 205 and 210 when a material misstatement of the comparative information has been identified (see paragraphs A215 and A225 of proposed AT-C sections 325 and 330, respectively).

Further, the ASB included application material (see paragraphs A209 and A218 of proposed AT-C sections 325 and 330, respectively) that addresses circumstances when the framework criteria or law or regulation includes explicit requirements for presentation, such as how changes in reporting boundaries and error corrections may be evaluated and presented, and those situations when the requirements may not be as specific.

e. What the Practitioner's Report Should Include About Comparative Information

Given the varied engagement circumstances that could exist, the ASB included two overarching requirements that address circumstances commonly found in practice (see paragraphs 84–85 and 103–104 of proposed AT-C sections 325 and 330, respectively), that is, when the comparative information was not previously assured or was assured by the practitioner or a predecessor practitioner. Application material includes considerations regarding when to include a separate paragraph about comparative information that was previously assured by the practitioner or a predecessor practitioner in the practitioner's report and what to include in this paragraph.

Request for Comment — Matters Affecting Both Proposed AT-C Sections 325 and 330

Definitions

19. Do respondents agree with defining terms in proposed AT-C section 330, such as *the risk of material misstatement*, *substantive procedures*, and *test of controls*, with definitions that are similar, but not identical, to the definitions of the same terms in proposed AT-C section 205? If not, respondents are requested to explain why.

Acceptance and Continuance of the Attestation Engagement

20. Do respondents agree that proposed AT-C sections 325 and 330 should not require communication with a predecessor practitioner prior to accepting an engagement to report on sustainability information? If not, respondents are requested to explain why. In responding to this question, respondents are requested to also provide perspectives on what practical challenges there may be when communicating with a predecessor practitioner (notwithstanding the relevant ethical responsibilities outlined in the AICPA Code of Professional Conduct) and, if possible, how these challenges may be overcome?

Content of the Practitioner's Report

21.

a. Do respondents agree that the practitioner's reports on sustainability information should include management's responsibility for the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information? If not, respondents are requested to explain why. Respondents are requested to also inform the ASB whether such language is currently included in the practitioner's examination or review reports issued in accordance with the attestation standards.

b. Do respondents agree that the phrases "at the underlying assertion level for the disclosures" and "at the disclosure level" will be understandable and meaningful to users? If not, what revisions should be made to the practitioner's report to distinguish examination and review reports in an engagement to report on sustainability information?

Comparative Information

22.

a. Do respondents agree with the definition of *comparative information* in proposed AT-C sections 325 and 330? If not, respondents are requested to explain why and provide an alternative definition.

b. Do respondents agree that the proposed requirements and related application material are clear and sufficiently principles-based to allow for practice to develop in this area, especially given the evolving jurisdictional landscape as it relates to sustainability information? If not, respondents are requested to explain why.

c. Do respondents agree that the requirements (and related application material) addressing comparative information in proposed AT-C sections 325 and 330 are drafted such that there are no unintended convergence issues with the related performance and reporting requirements in ISSA 5000? If not, respondents are requested to explain why. In responding to this question, respondents are requested to provide perspectives on what practical challenges there may be when performing an engagement to report on sustainability information (that includes comparative information) in accordance with both the attestation standards and ISSA 5000.

Observations Regarding Both Proposed AT-C Sections 325 and 330

23. Are there any other observations that respondents would like to provide with respect to significant matters that affect both proposed AT-C sections 325 and 330? These matters may include convergence matters related to differences between the proposed SSAE and ISSA 5000.

G. Matters Affecting Proposed AT-C Section 330

1. Risk Assessment Procedures and Responding to the Risk of Material Misstatement

The ASB believes that users likely expect that certain risk assessment procedures are performed in a review engagement to report on sustainability information. Accordingly, paragraphs 52–89 of proposed AT-C section 330 require risk assessment procedures and further procedures in responding to identified risks of material misstatement that the ASB believes are necessary for the practitioner to obtain limited assurance to support the practitioner's conclusion.

Request for Comment — Matters Affecting Proposed AT-C Section 330

Risk Assessment Procedures and Responding to the Risk of Material Misstatement

24. Do respondents agree that risk assessment procedures and further procedures are necessary in a review of sustainability information for the practitioner to obtain limited assurance to support

the practitioner's conclusion? If not, respondents are requested to provide perspectives about what requirements are necessary for the practitioner to obtain limited assurance to support the practitioner's conclusion.

H. Other Matters for Consideration

Request for Comment — Other Matters for Consideration

Other Matters Relating to the Proposed SSAE

25. Are there any other matters that respondents would like to raise in relation to the proposed SSAE?

V. ASB Vote for Issuance of the Exposure Draft

Seventeen ASB members voted to issue the proposed SSAE as an exposure draft, one member was absent, and one member, Ms. Laura Schuetze, dissented to the issuance of the proposed SSAE. Ms. Schuetze's dissent is provided below:

> "While I support the overall objectives of the project, I dissent from exposing the proposed SSAE for public comment. My dissent is based on significant concerns regarding proposed paragraph .17 of AT-C section 210, which would require the practitioner to evaluate the relevance and reliability of information to be used as evidence in a review engagement. In my view, introducing this requirement, as drafted, represents a fundamental flaw in the proposed standard because it is not conceptually compatible with the nature of a review engagement.
>
> "Under paragraph .29 of the current AT-C section 210, the practitioner is required to evaluate whether sufficient appropriate review evidence has been obtained (in its totality) when determining whether an appropriate basis exists for the practitioner's conclusion. This evaluation includes the quality of evidence, that is its relevance and reliability, and the quantity of evidence obtained overall. Proposed paragraph .17 would require the practitioner's evaluation of evidence to be performed and documented at a more granular level. Although AT-C section 210 addresses limited assurance engagements, proposed paragraph .17 mirrors the requirements in both AT-C section 205 and AU-C section 500, which apply to reasonable assurance engagements. Such a requirement is appropriate for reasonable assurance engagements given the substantive nature of procedures performed. However, the nature and objectives of reviews differ substantially from those of examinations and audits. Review procedures are intentionally limited in nature, typically consisting of inquiries and analytical procedures, and consequently the nature and extent of evidence obtained also differ. I believe the existing requirement more appropriately reflects the relationship between the limited procedures performed and the basis for forming a conclusion in a review engagement.
>
> "I am further concerned that introducing a requirement of this nature into AT-C section 210 could have broader implications for other limited assurance services within the

AICPA's suite of standards, including SSARS reviews and interim review engagements. Although these standards address different subject matters, the Auditing Standards Board and the Accounting and Review Services Committee have historically maintained a consistent conceptual framework for limited assurance engagements. In evaluating whether future changes might be needed to preserve that consistency, I have significant reservations about extending a requirement of this type to other standards governing limited assurance. For these reasons, I do not believe this requirement should be included in the proposed SSAE."

VI. Guide for Respondents

The ASB requests that respondents submit comments using the comment letter template at https://www.aicpa-cima.com/resources/download/proposed-ssae-attestation-sustainability. Respondents may email comments (attaching the completed template or another document in Word format) to commentletters@aicpa-cima.com. Respondents may also submit comments directly in the body of the email with the appropriate signature (*name*, *firm*). The ASB requests that all comments be submitted by June 30, 2026.

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

Comments will become part of the public record of the AICPA and will be available in PDF format on the AICPA's website after June 30, 2026, until a final standard is issued.

Consideration of comments received may result in modification of the proposals in this exposure draft before they are issued in final form.

VII. Supplements to the Exposure Draft

To assist respondents in identifying changes and responding to this request to comment on the proposed revisions included in this exposure draft, the A&A Standards staff has prepared the following documents:

- Draft of Proposed AT-C Section 105 (Marked From Extant)
- Draft of Proposed AT-C Section 205 (Marked From Extant)
- Draft of Proposed AT-C section 210 (Marked from Extant)
- Attestation Standards Building Blocks Approach (AT-C Sections 105, 205, and 210)
- Attestation Standards Building Blocks Approach (AT-C Sections 105, 205, and 325)
- Attestation Standards Building Blocks Approach (AT-C Sections 105, 210, and 330)
- Draft Substantial Differences in Requirements Between ISSA 5000 and the Attestation Standards
- Mapping of ISAE 3000 (Revised) to Baseline Attestation Standards
- Mapping of Baseline Attestation Standards to ISAE 3000 (Revised)

The A&A Standards staff-prepared supplements to the exposure draft are available on the AICPA website at https://www.aicpa-cima.com/resources/landing/aicpa-exposure-drafts-of-proposed-sass-ssaes-and-sqmss. These are for informational purposes only and do not form part of the exposure draft; however, they may be useful for respondents in formulating comments.

VIII. Comment Period

The comment period for this exposure draft ends on June 30, 2026.

Attestation Standards Task Force

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The ASB would like to acknowledge the invaluable contributions of the former ESG Task Force Chair, Catherine Ide, in the development of the sustainability information AT-C sections.

APPENDIX A — A Listing of High-Priority Topics

The following table lists the high-priority topics and the corresponding disposition in the respective AT-C section or sections of this proposed SSAE.

High-Priority Topic	Subtopic	Disposition in the Respective AT-C Section(s) of This Proposed SSAE
Limited assurance		AT-C section 105, par. .12
Predecessor-successor practitioner matters		AT-C section 105, par. .A45
Professional skepticism and fraud	*Professional skepticism*	AT-C section 105, par. .12, .64–.65, .A105–.A107
	Fraud	AT-C section 105, par. .12 AT-C section 205, par. .40–.42, .66–.70, .A80–.A85, .A112–.A118 AT-C section 210, par. .21–.23, .33–.37, .A52–.A56, .A69–.A75 AT-C section 325, par. 68, A179 AT-C section 330, par. 86, A187
Making reference	*Referred-to practitioner*	AT-C section 105, par. .12, .67, .A84, .A93, .A114–.A115
Component or group attestation engagements	*Participating practitioner; component; group*	AT-C section 105, par. .12, .45, .A84–.A88 AT-C section 325, par. 15, 29, 71, A47–A48 AT-C section 330, par. 15, 36, 89, A58–A59
Reliability of information used (including data from third parties)		AT-C section 105, par. .A84 AT-C section 205, par. .25–.26, .A43–.A50

High-Priority Topic	Subtopic	Disposition in the Respective AT-C Section(s) of This Proposed SSAE
		AT-C section 210, par. .17, .A30–.A36 AT-C section 330, par. 43
Management's specialist		AT-C section 205, par. .04, .27, .A51–.A59 AT-C section 210, par. .04, .18, .A37–.45 AT-C section 325, par. 35 AT-C section 330, par. 44
Review procedures, including sampling	*Analytical procedures*	AT-C section 210, par. .04, .30–.31, .A64–.A66 AT-C section 330, 83, A180
	Sampling	AT-C section 210, par. .14 references AT-C section 205, par. .64 AT-C section 330, par. 15, 84, A181–A183
Estimates		AT-C section 205, par. .64–.65, .A110–.A111 AT-C section 210, par. .32, .A67–.A68 AT-C section 325, .66–67, A175–A178 AT-C section 330, 85, A184–A186
Management responsibility for representations		AT-C section 105, par. .30*a*, .A51–.A52 AT-C section 205, par. .08*g* AT-C section 210, par. .10*g*
Other/supplementary information	*Comparative information*	AT-C section 325, par. 15, 81–85, A204–A218

High-Priority Topic	Subtopic	Disposition in the Respective AT-C Section(s) of This Proposed SSAE
		AT-C section 330, par. 15, 100–104, A212–A228
	Other information	AT-C section 205, par. .04, .128–.133, .A2, .A209–.A217 AT-C section 210, par. .04, .95–.100, .A2, .A163–.A171 AT-C section 325, par. 86–90, A219 AT-C section 330, par. 105–109, A229
Recommended disclosures/ Discretionary disclosures by the entity (not included in the criteria)		Out of scope

APPENDIX B — Structure of the Attestation Standards

The structure of the attestation standards and clarity drafting conventions adopted by SSAE No. 18 have been further enhanced by the use of headings and subheadings and certain drafting principles and guidelines to drive consistency across the various AT-C sections. This has, in part, been necessitated by the development of the proposed sustainability information AT-C sections that build extensively on the underlying requirements in the proposed baseline attestation standards.

1. *Use of Headings and Subheadings*

Additional and amended headings and subheadings have been included in the proposed SSAE to provide further structure for the attestation standards. The primary objective was to align the headings across the AT-C sections where possible so as to provide a clear road map for the practitioner when performing an engagement, especially when using subject-matter AT-C sections that build extensively on the 200 series AT-C sections. As a result, these headings have been used consistently when drafting the proposed and new AT-C sections. The introduction of consistent headings across the AT-C sections has, in some instances, necessitated moving or reordering extant requirements and the related application material in order to enhance the overall flow and readability of the proposed AT-C sections and to support the seamless application of the building blocks approach.

2. *Drafting Guidelines*

For the purpose of revising the baseline attestation standards as well as the development of the sustainability information AT-C sections, due consideration was given to the following:

- Current AU-Cs adopted, or being considered, by the ASB, for example, AU-C section 600, *Special Considerations – Audits of Group Financial Statements*; Proposed SAS *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- The IAASB's *Drafting Principles and Guidelines*

The remainder of this section provides abridged drafting guidelines (shown in blue boxes) that were used in the proposed SSAE. These guidelines are intended to facilitate a common understanding of how the requirements and application material included in the relevant AT-C sections build upon each other, thereby resulting in a more cohesive suite of attestation standards.

a. *Cross-References to Other AT-C Sections or Paragraphs of Other AT-C Sections*

References can be made to an entire AT-C section, a group of requirements, or to a specific paragraph in another AT-C section. In most circumstances, a more specific reference is the most useful, but the determination of which is most helpful to the practitioner depends on the circumstances.

(1) Cross-References to Other AT-C Sections

The first time another AT-C section is mentioned in a standard, the AT-C section number and title are included (for example, AT-C section [*number*], [*title*]); thereafter, only the section number is mentioned. This editorial convention is also used for footnotes within the respective AT-C sections.

(2) Cross-References to Relevant Requirement Paragraphs in Other AT-C Sections

Requirements included in the baseline attestation standards are not repeated in the subject-matter AT-C section; however, in certain circumstances, cross-references to relevant requirement paragraphs in the baseline attestation standards may be needed from the subject-matter AT-C section. The phrases "in applying AT-C section [*number*]" or "in accordance with AT-C section [*number*]" have been used to provide the necessary linkage.

The following paragraph is included in proposed AT-C section 325 to clarify the approach taken when cross-referencing to paragraphs of other AT-C sections (a similar paragraph has been included in proposed AT-C section 330):

> **12.** In addition to complying with this section of this proposed SSAE, a practitioner is required to comply with proposed AT-C section 105 and proposed AT-C section 205, *Assertion-Based Examination Engagements*. In some cases, this section of this proposed SSAE repeats or refers to requirements in proposed AT-C sections 105 and 205 when describing those requirements in the context of an examination of sustainability information.
>
> - The phrase "in applying AT-C section [*number*]" is used to indicate that, as part of performing the specified requirement in that other AT-C section, the practitioner is also required to do something more.
> - The phrase "in accordance with AT-C section [*number*]" is used to reference the requirement in that other AT-C section, either in its entirety or in part, for purposes of providing a link to application material relevant to sustainability attestation engagements. In circumstances in which this section of this proposed SSAE repeats a requirement for purposes of providing a link to application material, the requirement repeated in this section of this proposed SSAE may be expressed in terms specific to a sustainability attestation engagement.
>
> Although not all the requirements in proposed AT-C sections 105 and 205 are repeated or referred to in this section of this proposed SSAE, the practitioner is responsible for

complying with all the requirements in those sections, as applicable.

When using the phrase "in accordance with AT-C section [*number*]" in order to then include additional application material, it is important to note that the requirement in that other referenced AT-C section is included "either in its entirety *or in part*" (emphasis added). The requirement in that other AT-C section is typically included in the sustainability information AT-C section in its entirety when the related application material is relevant to the whole requirement, including sub-bullets. Where the application material is only relevant to a part of a requirement in that other AT-C section, for example, a specific sub-bullet, then only that part of the requirement is included in the sustainability information AT-C section, and not the entirety of the requirement paragraph. This approach has been applied consistently throughout proposed AT-C sections 325 and 330.

b. Other Drafting Conventions

(1) Multiple Requirements in One Paragraph

Avoid including multiple requirements in one paragraph. An indication that separate requirements may be appropriate is multiple uses of "should" within one paragraph. If a requirement includes a list of requirements, consider whether each item in the list should be in its own paragraph.

(2) Conditionality and Relevance

Identifying any conditionality for a requirement at the beginning of the requirement helps make it clear that there are limits to the relevance and applicability of that specific requirement.

The following approach has been used in the development of the proposed SSAE:

- Use "if" when it is unknown whether the condition will exist or not.
- Use "when" when the condition will definitely happen at some point.
- Sparingly use "in which" to describe "in the situation or circumstances in which," or when dealing with phrases concerning place, location, or space.

Throughout the development of the proposed SSAE, the ASB placed increased focus on the inclusion of any conditional requirements in the baseline attestation standards to ensure that the conditionality was appropriate.

It should be noted that paragraph .18*b* of proposed AT-C section 105 addresses the concept of conditionality when a practitioner is required to comply with relevant requirements.

> **.18** Subject to paragraph .22, the practitioner should comply with each requirement of the AT-C sections that is relevant to the engagement being performed unless, in the circumstances of the engagement,
>
> *a.* the entire AT-C section is not relevant, or
> *b.* the requirement is not relevant because it is conditional, and the condition does not exist.
>
> …
>
> **.22** In rare circumstances, the practitioner may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the practitioner should perform alternative procedures to achieve the intent of that requirement. The need for the practitioner to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement.

The ASB also carefully considered the use of the phrase "if applicable" in a requirement, given that all requirements are deemed relevant and paragraph .18*b* of proposed AT-C section 105 already addresses instances when "the requirement is not relevant because it is conditional, and the condition does not exist."

(3) Requirements That Adapt Related Requirements in an AT-C Section

Requirements in AT-C sections 205 and 210 may only be adapted in the applicable subject-matter AT-C section in order to achieve the objective of that requirement in the circumstances of the specific subject matter.

This approach is consistent with the practitioner's ability to depart from a relevant requirement when, in the specific circumstances of the engagement, the intent of the requirement would not be achieved, as highlighted in paragraph .22 of proposed AT-C section 105. The following paragraph notes the requirements in proposed AT-C section 325 that adapt related requirements in proposed AT-C section 205:

> **17.** The practitioner should apply the requirements in the paragraphs identified in items (*a*)–(*b*), which adapt the related requirements in proposed AT-C section 205 to achieve the objective of those requirements in the circumstances of an examination engagement on sustainability information, when the practitioner performs procedures that address the following in a sustainability information examination engagement:
>
> *a.* …

b. …

(4) Different Use of Terms or Phrases in AT-C Sections Intended to Have the Same Meaning

Where terms or phrases used in requirements differ between AT-C sections in the 200 series, *Level of Service,* and the 300 series, *Subject Matter*, and are intended to have the same meaning, essential material or application material may be included in the relevant subject-matter AT-C section to clarify this circumstance.

An example of this drafting convention is included in paragraph 16 of proposed AT-C section 325.

16. References in proposed AT-C section 205 to *appropriate level for the subject matter* are to be read as *underlying assertion level for the sustainability disclosures* for purposes of applying this section of this proposed SSAE.

APPENDIX C — Coordination With PEEC and Other ASB Task Forces and Related Projects

The A&A Standards staff supporting the ASB engaged and collaborated with the Ethics staff supporting PEEC as well as with other ASB task forces and A&A Standards staff supporting other related ASB projects, as appropriate, throughout the duration of the project to revise the attestation standards.

This coordination encompassed the following:

- Current projects on the 2026–2027 ASB work plan and active projects under consideration affecting the proposed SSAE, specifically fraud and noncompliance with laws or regulations (NOCLAR).
    - — *Fraud.* The ASB will continue to monitor developments as it relates to the finalization of Proposed SAS *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.*
    - — *NOCLAR.* No changes have been proposed by the ASB with respect to aligning the related requirements in the proposed SSAE with the AICPA code, as changes to the audit standards have yet to be considered. Instead, consideration of any changes will be contemplated holistically for both audit and attestation standards as part of a NOCLAR project currently under consideration by the ASB.
- Activities by other standard setters impacting the proposed SSAE, specifically,
    - — the issuance of *International Ethics Standards for Sustainability Assurance (including Independence Standards)* (IESSA) by the International Ethics Standards Board of Accountants (IESBA) in January 2025. IESSA is included as Part 5 of the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (the IESBA code). Based on an initial analysis performed by the Ethics staff supporting PEEC, the A&A Standards staff incorporated certain performance-related guidance in the proposed baseline attention standards.
    - — the issuance of standards relating to "Using the Work of a Practitioner's External Specialist" by IESBA in January 2025 and by the IAASB in January 2026. Neither PEEC nor the ASB have yet decided whether related projects will be undertaken with respect to the AICPA code or the attestation standards, respectively. Consequently, no changes have been proposed by the ASB as it relates to external specialists in the proposed SSAE.

PROPOSED AT-C SECTION 105

Concepts Common to All Attestation Engagements

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

Introduction

.01 This section of this proposed Statement on Standards for Attestation Engagements (SSAE) applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner's

- assertion-based examination report in accordance with proposed AT-C section 205, *Assertion-Based Examination Engagements*,[1]
- direct examination report in accordance with AT-C section 206, *Direct Examination Engagements*,
- review report in accordance with proposed AT-C section 210, *Review Engagements*, or
- agreed-upon procedures report in accordance with AT-C section 215, *Agreed-Upon Procedures Engagements*.

For purposes of applying the attestation standards, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as those terms are defined in paragraph .12. If only one of these terms is applicable, that term is used.

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

In all attestation engagements, the underlying subject matter is the responsibility of a party other than the practitioner. (Ref: par. .A1)

Examination and Review Engagements

.02 Examination and review engagements include the following:

a. Assertion-based examination engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria and provides an assertion about the outcome of the measurement or evaluation, and the practitioner expresses an opinion in a written report about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects. (Ref: par. .A2)

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

[1] All AT-C sections can be found in AICPA *Professional Standards*.

assertion about the results of the measurement or evaluation of the underlying subject matter against the criteria.

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

.03 The practitioner's objective in both an assertion-based examination engagement and a direct examination engagement is to obtain reasonable assurance. Proposed AT-C section 205 contains requirements and application material for assertion-based examination engagements. AT-C section 206 contains requirements and application material for direct examination engagements.

.04 An assertion-based examination engagement and a review engagement are predicated on the concept that a party other than the practitioner makes an assertion about whether the underlying subject matter is measured or evaluated in accordance with (or based on) suitable criteria. Proposed AT-C sections 205 and 210 require the practitioner to request such an assertion in writing when performing an assertion-based examination engagement or a review engagement.[2] In assertion-based examination engagements and review engagements, when the engaging party is the responsible party, the responsible party's refusal to provide a written assertion requires the practitioner to withdraw from the engagement when withdrawal is practicable.[3] In assertion-based examination engagements and review engagements, when the engaging party is not the responsible party and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement but is required to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party.[4] The purpose of an examination or review engagement is to provide users of information with an opinion or conclusion regarding the underlying subject matter, as measured or evaluated against suitable and available criteria. An examination engagement results in an opinion, and a review engagement results in a conclusion. The purpose of an agreed-upon procedures engagement is to provide users of information with the results of procedures performed by the practitioner on underlying subject matter or subject matter information. An agreed-upon procedures engagement results in findings.

.05 This section of this proposed SSAE is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A3)

a. Statements on Auditing Standards,

[2] Paragraph .10 of proposed AT-C section 205, *Assertion-Based Examination Engagements*, and paragraph .12 of proposed AT-C section 210, *Review Engagements*.
[3] Paragraph .125 of proposed AT-C section 205 and paragraph .92 of proposed AT-C section 210.
[4] Paragraph .127 of proposed AT-C section 205 and paragraph .94 of proposed AT-C section 210.

b. Statements on Standards for Accounting and Review Services,

c. Statements on Standards for Tax Services, or

d. Statements on Standards for Consulting Services, including litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact. (Ref: par. .A4)

.06 An attestation engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study that also includes an examination of prospective financial information. In such circumstances, the attestation standards apply only to the attestation portion of the engagement.

Compliance With the Attestation Standards

.07 The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct (AICPA code) requires members who perform professional services to comply with standards promulgated by bodies designated by the Council of the AICPA. (Ref: par. .A5)

Relationship of Attestation Standards to Firm-Level Quality Management

.08 Quality management systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QM section 10, *A Firm's System of Quality Management*,[5] the objective of the firm is to design, implement, and operate a system of quality management for engagements performed in its accounting and auditing practice that provides the firm with reasonable assurance that (Ref: par. .A6–.A8)

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

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

.09 Quality management standards relate to the firm's system of quality management for engagements performed by the firm in its accounting and auditing practice, which includes the firm's attestation practice as a whole. Thus, attestation standards and quality management standards are related, and the quality management policies and procedures that the firm establishes may affect both the conduct of individual attestation engagements and the firm's system of quality management related to its attestation practice as a whole. However, deficiencies in the firm's system of quality management or instances of noncompliance with the firm's policies and procedures established in accordance with QM section 10 do not, in and of themselves, indicate that a particular engagement was not conducted in accordance with the attestation standards.

Effective Date

[5] All QM sections can be found in AICPA *Professional Standards*.

.10 If issued as final, this section of the proposed SSAE will be effective for engagements beginning on or after June 15, 2029. Early implementation is permitted only if the practitioner also implements AT-C section 205 or 210, if applicable to the engagement, included in this proposed SSAE, early.

Objectives

.11 In conducting an attestation engagement, the overall objectives of the practitioner are to

a. apply the requirements relevant to the attestation engagement.

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

c. implement quality management responses at the engagement level that provide the practitioner with reasonable assurance that the attestation engagement complies with professional standards and applicable legal and regulatory requirements.

Definitions

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

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

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

a. **Assertion-based examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the responsible party's measurement or evaluation of the underlying subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner's opinion about whether the subject matter is in accordance with (or based on) the criteria or the responsible party's assertion is fairly stated, in all material respects. (Ref: par. .A9)

b. **Direct examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion. (Ref: par. .A9) *c.* **Review engagement.** An attestation engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate evidence about the responsible party's measurement or evaluation of underlying subject matter against criteria in order to express a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. (Ref: par. .A10)

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

Attestation risk. In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter information (or assertion) is materially misstated. (Ref: par. .A11–.A17)

Criteria. The benchmarks used to measure or evaluate the underlying subject matter. (Ref: par. .A18)

Direct assistance. The use of internal auditors to perform procedures under the direction, supervision, and review of the practitioner.

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

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

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

Engagement partner. The partner or other individual appointed by the firm who is responsible for the attestation engagement and its performance and for the practitioner's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. *Engagement partner*, *partner*, and *firm* refer to their governmental equivalents when relevant. (Ref: par. .A19)

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

Engagement quality reviewer. A partner, other individual in the firm, or an external individual appointed by the firm to perform the engagement quality review. (Ref: par. .A20)

Engagement team. All partners and staff performing the attestation engagement and any other individuals who perform attestation procedures on the engagement, excluding a practitioner's external specialist and internal auditors who provide direct assistance on an engagement. (Ref: par. .A20)

Engaging party. The party that engages the practitioner to perform the attestation engagement. (Ref: par. .A21)

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

Experienced practitioner. An individual (whether internal or external to the firm) who has practical experience in attestation engagements and a reasonable understanding of (Ref: par. .A22)

a. attestation processes;

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

c. the underlying subject matter;

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

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

Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting. (Ref: par. .A23)

Fraud. An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in the subject matter or the assertion. (Ref: par. .A24)

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

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

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

Limited assurance. A level of assurance that is substantially lower than the reasonable assurance obtained in an examination engagement but is at an acceptable level as the basis for the conclusion expressed in the practitioner's review report.

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

Network. As defined in "Definitions" (ET sec. 0.400)[6] in the AICPA code, an association of entities that includes one or more firms. (Ref: par. .A23)

Network firm. As defined in "Definitions" in the AICPA code, a firm or other entity that belongs to a network. References to a *network firm* are to be read hereafter as "another firm or entity that belongs to the same network as the firm." (Ref: par. .A23)

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

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

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

Partner. Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, *partner* may include an

[6] All ET sections can be found in AICPA *Professional Standards*.

employee with this authority who has not assumed the risks and benefits of ownership. Firms might use different titles to refer to individuals with this authority.

Personnel. Partners and staff in the firm.

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

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

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

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

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

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

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

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

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

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

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

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

Specified parties. The intended users to whom use of the written practitioner's report is limited.

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

Subject matter information. The outcome of the measurement or evaluation of the underlying subject matter against criteria. An assertion about whether the underlying subject matter is in accordance with (or based) the criteria is a form of subject matter information. (Ref: par. .A25)

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

.13 For the purposes of the attestation standards, references to *appropriate party* should be read hereafter as the responsible party or the engaging party, as appropriate. (Ref: par. .A26)

Requirements

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

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

.14 When performing an attestation engagement, the practitioner should comply with (Ref: par. .A27)

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

.15 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the requirements of this section of this proposed SSAE and all other AT-C sections relevant to the engagement.

.16 Reports issued by a practitioner in connection with services performed under other professional standards should be written to be clearly distinguishable from and not confused with reports issued under the attestation standards. (Ref: par. .A28–.A29)

Text of an AT-C Section

.17 The practitioner should have an understanding of the entire text of each AT-C section that is relevant to the engagement being performed, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. .A30–.A35)

Complying With Relevant Requirements

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

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

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

.19 When a practitioner undertakes an attestation engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules, and regulations, the practitioner should comply with those governmental requirements as well as the applicable AT-C sections. (Ref: par. .A36)

Practitioner's Report Prescribed by Law or Regulation

.20 If the practitioner is required by law or regulation to use a specific layout, form, or wording of the practitioner's report and the prescribed form of report is not acceptable or would cause a practitioner to make a statement that the practitioner has no basis to make, the practitioner should reword the prescribed form of report or attach an appropriately worded separate practitioner's report. (Ref: par. .A37)

Defining Professional Requirements in the Attestation Standards

.21 The attestation standards use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility it imposes on practitioners:

- *Unconditional requirements*. The practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. The attestation standards use the word *must* to indicate an unconditional requirement.

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

Departure From a Relevant Requirement

.22 In rare circumstances, the practitioner may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the practitioner should perform alternative procedures to achieve the intent of that requirement. The need for the practitioner to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement. (Ref: par. .A38)

Interpretive Publications

.23 The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. .A39)

Other Attestation Publications

.24 In applying the attestation guidance included in an other attestation publication, the practitioner should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the attestation engagement. (Ref: par. .A40–.A42)

Acceptance and Continuance of the Attestation Engagement

.25 The engagement partner should determine that the firm's policies or procedures for the acceptance and continuance of client relationships and attestation engagements have been followed and that conclusions reached in this regard are appropriate. (Ref: par. .A43–.A45)

.26 The engagement partner should consider information obtained in the acceptance and continuance process in planning and performing the attestation engagement in accordance with the attestation standards and complying with the requirements of this section of this proposed SSAE. (Ref: par. .A46)

.27 If the engagement team becomes aware of information that may have caused the firm to decline the attestation engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement partner should communicate that information promptly to the firm so that the firm and the engagement partner can take the necessary action. (Ref: par. .A47)

Preconditions for an Attestation Engagement

.28 The practitioner must be independent when performing an attestation engagement in accordance with the attestation standards unless the practitioner is required by law or regulation to accept the engagement. (Ref: par. .A48–.A49)

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances

.29 The practitioner should obtain a preliminary knowledge of the engagement circumstances, including the subject matter and scope of the practitioner's engagement.

.30 The practitioner should, on the basis of the preliminary knowledge of the engagement circumstances and discussion with the appropriate party, determine whether the

a. responsible party is a party other than the practitioner and takes responsibility for the underlying subject matter. (Ref: par. .A50–.A52)

b. engagement exhibits all the characteristics in paragraphs .31–.34.

Appropriate Underlying Subject Matter

.31 The practitioner should determine whether the underlying subject matter is appropriate. (Ref: par. .A53–.A57)

.32 The practitioner's determination of whether the underlying subject matter is appropriate, in accordance with paragraph .31, should include considering whether the underlying subject matter

a. is identifiable;

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

c. in an examination or review engagement, is capable of consistent measurement or evaluation against the criteria.

Suitability and Availability of Criteria

.33 In an examination or review engagement, the practitioner should determine that the criteria to be applied in the measurement or evaluation of the underlying subject matter are suitable and will be available to the intended users. (Ref: par. .A18 and .A58–.A69)

Evidence to Support the Practitioner's Opinion, Conclusion, or Findings

.34 The practitioner should determine whether

a. the practitioner expects to be able to obtain the evidence needed to support the practitioner's opinion, conclusion, or findings, including (Ref: par. .A70–.A71)

  i. access to all information of which the appropriate party is aware that is relevant to the engagement; (Ref: par. .A72)

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

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

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

Deciding Whether to Accept or Continue the Attestation Engagement

.35 If the preconditions in paragraphs .28–.35 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.

.36 The practitioner should accept an attestation engagement only when the practitioner has

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

b. determined that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph .42*b*);

c. determined that the engagement to be performed meets all the preconditions for an attestation engagement and the engagement, as a whole, will not be misleading to intended users (see also paragraphs .28–.34); and (Ref: par. .A73)

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

Preconditions Not Present After Acceptance

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

a. whether the matter can be resolved;

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

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

Terms of the Attestation Engagement

Changing the Terms of the Attestation Engagement

.38 The practitioner should not agree to a change in the terms of the engagement**,** including a change to a lower level of service, when no reasonable justification for doing so exists. If a change in the terms of the engagement is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. .A74)

.39 If the terms of the engagement are changed, the practitioner and the engaging party should agree on and document the new terms of the engagement in an engagement letter or other suitable form of written agreement.

.40 If the practitioner concludes, based on the practitioner's professional judgment, that there is reasonable justification to change the terms of the engagement from the original level of service that the practitioner was engaged to perform to a lower level of service (for example, from an examination to a review) and if the practitioner complies with the AT-C sections applicable to the lower level of service, the practitioner should issue an appropriate practitioner's report on the lower level of service. The report should not include reference to (*a*) the original engagement, (*b*) any procedures that may have been performed, or (*c*) scope limitations that resulted in the changed engagement.

.41 If the practitioner concludes that no reasonable justification for a change in the terms of the engagement exists and is not permitted to continue the original engagement, the practitioner should

a. withdraw from the engagement when possible under applicable laws or regulations.

b. communicate the circumstances to the appropriate party.

c. determine whether any obligation, either legal, contractual, or otherwise, exists to report the circumstances to other parties, such as regulators.

Engagement-Level Quality Management

Engagement Resources

.42 The engagement partner should determine that

a. sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the attestation engagement, the firm's policies or procedures, and any changes that may arise during the engagement. (Ref: par. .A75–.A76)

b. members of the engagement team, and any practitioner's external specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have the appropriate competence, including knowledge of the underlying subject matter and criteria, and capabilities, including sufficient time to perform the engagement. (Ref: par. .A77–.A80)

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

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

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

d. with respect to consultation,

i. members of the engagement team have undertaken appropriate consultation on the matters specified in paragraph .47*c* during the attestation engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm.

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

iii. conclusions agreed have been implemented.

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

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

.43 If, as a result of complying with the requirements in paragraph .42*a–b*, the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the attestation engagement, the engagement partner should take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: par. .A81–.A82)

.44 The engagement partner should take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the attestation engagement. (Ref: par. .A83)

Using the Work of a Participating Practitioner

.45 When the practitioner expects to use the work of a participating practitioner, the practitioner should (Ref: par. .A84–.A88)

a. confirm whether the participating practitioner understands and will comply with relevant ethical requirements, including those related to independence, that apply to the engagement.
b. determine that the participating practitioner has appropriate professional competence and capabilities.
c. communicate clearly with the participating practitioner about the participating practitioner's responsibilities and the practitioner's expectations, including the scope and timing of the participating practitioner's work and the matters expected to be communicated by the participating practitioner that are relevant to the practitioner in forming the practitioner's opinion or conclusion or in presenting findings.
d. determine that the participating practitioner has sufficient time to perform assigned work.
e. be sufficiently and appropriately involved, through direction, supervision, and review, in the work of the participating practitioner.
f. evaluate whether the participating practitioner's work is adequate for the practitioner's purposes.

Leadership Responsibilities for Managing and Achieving Quality in Attestation Engagements

.46 The engagement partner should have the appropriate competence and capabilities, including in the underlying subject matter, sufficient to take responsibility for the conclusions reached or findings reported on the engagement. (Ref: par. .A89–.A91)

.47 The engagement partner should take responsibility for the following: (Ref: par. .A83 and .A92)

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

b. The direction and supervision of the members of the engagement team and the review of their work. (Ref: par. .A93)

c. The engagement team undertaking consultation on (Ref: par. .A94)

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

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

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

.48 In creating the environment described in paragraph .47*a*, the engagement partner should take responsibility for clear, consistent, and effective actions being taken that reflect the firm's commitment to quality and establish and communicate the expected behavior of engagement team members, including emphasizing the following: (Ref: par. .A83)

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

b. The importance of professional ethics, values, and attitudes to the members of the engagement team *c.* The importance of open and robust communication within the engagement team and supporting the ability of engagement team members to raise concerns without fear of reprisal (Ref: par. .A95)

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

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

a. significant matters;

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

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

.50 On or before the date of the practitioner's report, the engagement partner should determine, through review of engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the conclusions reached in an examination or review engagement or findings reported in an agreed-upon procedures engagement and for the practitioner's report to be issued.

.51 Prior to dating the practitioner's report, the engagement partner should review the subject matter information and the practitioner's report to determine that the report to be issued will be appropriate in the circumstances.

.52 The engagement partner should review, prior to their issuance, formal written communications to management, those charged with governance, or regulatory authorities. (Ref: par. .A96)

Differences of Opinion

.53 If differences of opinion arise within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management, including those who provide consultation, the engagement team should follow the firm's policies or procedures for dealing with and resolving such differences of opinion.

.54 The engagement partner should (Ref: par. .A83)

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

b. determine that conclusions reached are documented and implemented.

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

Compliance With Relevant Ethical Requirements

.55 The engagement partner should have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the attestation engagement. (Ref: par. .A97 and .A102)

.56 The engagement partner should take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the attestation engagement, and the firm's related policies or procedures, including those that address the following: (Ref: par. .A83 and .A98–.A99)

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

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

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

.57 If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement partner should evaluate the threats by complying with the firm's policies or procedures, using relevant information from the firm, the engagement team, or other sources, and take appropriate action.

.58 The engagement partner should remain alert throughout the attestation engagement, through observation and making inquiries as necessary, for breaches of relevant ethical requirements or the firm's related policies or procedures by members of the engagement team. (Ref: par. .A100)

.59 If matters come to the engagement partner's attention through the firm's system of quality management, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the engagement have not been fulfilled, the engagement partner, in consultation with others in the firm, should take appropriate action. (Ref: par. .A101)

.60 Prior to dating the practitioner's report, the engagement partner should take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled. (Ref: par. .A83)

Monitoring and Remediation

.61 The engagement partner should take responsibility for the following: (Ref: par. .A83 and .A103)

a. Obtaining an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, the information from the monitoring and remediation process of the network and across the network firms *b.* Determining the relevance and effect on the attestation engagement of the information referred to in paragraph .61*a* and taking appropriate action

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

Overall Responsibility for Managing and Achieving Quality

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

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

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

Engagement Quality Review

.63 For those attestation engagements for which an engagement quality review is required, the engagement partner should (Ref: par. .A104)

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

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

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

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

Professional Skepticism and Professional Judgment

Professional Skepticism

.64 The practitioner should plan and perform an attestation engagement with professional skepticism. In an examination or review engagement, this includes recognizing that circumstances may exist that cause the subject matter information to be materially misstated. (Ref: par. .A105–.A107)

.65 Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. If conditions identified during the attestation engagement cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner should investigate further.

Professional Judgment

.66 The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. .A108–.A113)

Evidence

Sources of Information to Be Used as Evidence

Referred-to Practitioner

.67 When the practitioner determines to make reference to the report of a referred-to practitioner, the engagement partner should take responsibility for (Ref: par. .A84, .A93, and .A114–.A115)

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

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

Documentation

.68 The practitioner should prepare engagement documentation on a timely basis that is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand (Ref: par. .A116)

a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements; (Ref: par. .A117)

b. the results of the procedures performed and, in an examination or review engagement, the evidence obtained; and

c. in an examination or review engagement, the significant matters arising during the engagement, the conclusions reached thereon, and the significant professional judgments made in reaching those conclusions.

.69 In documenting the nature, timing, and extent of procedures performed, the practitioner should record (Ref: par. .A118–.A119)

a. the identifying characteristics of the specific items or matters tested.

b. who performed the attestation work and the date such work was completed.

c. who reviewed the attestation work performed and the date and extent of such review.

.70 The practitioner should include in the engagement documentation

a. discussions of significant matters with the responsible party or others, including the nature of the significant matters discussed, and when and with whom the discussions took place.

b. significant issues identified with respect to compliance with relevant ethical requirements and how they were resolved.

c. conclusions about compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions.

d. conclusions reached regarding the acceptance and continuance of the client relationship and attestation engagement, including with respect to the preconditions for an attestation engagement.

e. the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement, if any, and how such conclusions were implemented.

f. the basis for the engagement partner's determination in accordance with paragraph .50 that sufficient appropriate evidence has been obtained.

g. for examination and review engagements, if the practitioner identified information that is inconsistent with the practitioner's final opinion or conclusion regarding a significant matter, how the practitioner addressed the inconsistency.

h. the basis for the engagement partner's determination in accordance with paragraph .62*a* that the engagement partner's involvement has been sufficient and appropriate throughout the attestation engagement.

i. if the engagement is subject to an engagement quality review,

i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review; and

ii. that the engagement quality review has been completed before the release of the practitioner's report.

.71 In an examination or review engagement, if, in rare circumstances, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document the following:

a. The circumstances encountered

b. The new or additional procedures performed, evidence obtained, and conclusions reached, and their effect on the practitioner's report *c.* When and by whom the resulting changes to the documentation were made and reviewed

.72 The practitioner should assemble the engagement documentation in an engagement file on a timely basis and complete the administrative process of assembling the final engagement file no later than 60 days following the practitioner's report release date. (Ref: par. .A120)

.73 After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period. (Ref: par. .A121)

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

a. the specific reasons for making the modifications or additions; and

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

.75 Engagement documentation is the property of the practitioner, and some jurisdictions recognize this right of ownership in their statutes. The practitioner should adopt reasonable procedures to retain engagement documentation for a period of time sufficient to meet the needs of the practitioner and to satisfy any applicable legal or regulatory requirements for records retention.

.76 Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.

.77 The practitioner should also adopt reasonable procedures to prevent unauthorized access to engagement documentation.

.78 If, in rare circumstances, the practitioner judges it necessary to depart from a relevant, presumptively mandatory requirement, the practitioner must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (See paragraph .22.)

Application and Other Explanatory Material

Introduction (Ref: par. .01)

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

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

b. Physical characteristics, for example, narrative descriptions or square footage of facilities *c.* Historical events, for example, the price of a market basket of goods on a certain date

d. Analyses, for example, break-even analyses

e. Systems and processes, for example, internal control

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

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

The measurement or evaluation of such conditions or events may be as of a point in time or for a period of time.

Examination and Review Engagements (Ref: par. .05)

.A2 In an examination or review engagement, when the practitioner is reporting directly on the subject matter, the subject matter may be expressed to be either *in accordance with* or *based on* the criteria. It is appropriate to express the subject matter as being *in accordance with* or *based on* the criteria only if the subject matter complies with all relevant requirements of those criteria.

.A3 Because performance audits performed pursuant to *Government Auditing Standards* do not require a practitioner's examination, review, or agreed-upon procedures report as described in this AT-C section, this section of this proposed SSAE does not apply to performance audits unless the practitioner engaged to conduct a performance audit is also engaged to conduct an AICPA attestation engagement or issues such an examination, review, or agreed-upon procedures report.

.A4 Examples of litigation services include the following circumstances:

a. The service comprises being an expert witness.

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

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

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

Compliance With the Attestation Standards (Ref: par. .07)

.A5 Pursuant to paragraph .07, the practitioner is required to perform the attestation engagement in accordance with attestation standards established by the AICPA. However, a practitioner is not precluded from performing an engagement in accordance with another set of standards in addition to the attestation standards established by the AICPA. Examples of another set of standards include

- International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*;
- International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*;
- International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*; or
- PCAOB interim attestation standards.

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

.A6 The nature and extent of a firm's quality management policies and procedures depend on factors such as the firm's size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations.

.A7 Within the context of the firm's system of quality management, engagement teams have a responsibility to implement quality management procedures that are applicable to the attestation engagement and provide the firm with relevant information to enable the functioning of that part of the firm's quality management relating to independence.

.A8 Engagement teams are entitled to rely on the firm's system of quality management, unless the engagement partner determines that it is inappropriate to do so based on information provided by the firm or other parties.

Definitions

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

.A9 The practitioner obtains the same level of assurance in an assertion-based and direct examination engagement as the practitioner does in a financial statement audit.

Review Engagement (Ref: par. .12)

.A10 The practitioner obtains the same level of assurance in a review engagement as the practitioner does in a review of financial statements.

Attestation Risk (Ref: par. .12)

.A11 Attestation risk does not refer to the practitioner's business risks, such as loss from litigation, adverse publicity, or other events arising in connection with the underlying subject matter or subject matter information (or assertion) reported on.

.A12 In general, attestation risk can be represented by the following components, although not all these components will necessarily be present or significant for all engagements:

a. Risks that the practitioner does not directly influence, which consist of

   i. the susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk) and

   ii. the risk that a material misstatement that could occur in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the appropriate party's internal control (control risk)

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

.A13 The degree to which each of these components of attestation risk is relevant to the engagement is affected by the engagement circumstances, in particular,

a. the nature of the underlying subject matter or subject matter information. (For example, the concept of control risk may be more useful when the underlying subject matter or subject matter information relates to the preparation of information about an entity's performance than when it relates to information about the existence of a physical condition.)

b. the type of engagement being performed. (For example, in a review engagement, the practitioner may often decide to obtain evidence by means other than tests of controls, in which case, consideration of control risk may be less relevant than in an examination engagement on the same subject matter information [or assertion.])

.A14 The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

.A15 In an examination engagement, the practitioner reduces attestation risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's opinion. Reducing attestation risk to zero is not contemplated in an examination engagement, and therefore, reasonable assurance is less than absolute assurance as a result of factors such as the following:

- The use of selective testing
- The inherent limitations of internal control
- The fact that much of the evidence available to the practitioner is persuasive, rather than conclusive

- The exercise of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence
- In some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria

.A16 In a review engagement, attestation risk is greater than it is in an examination engagement. Because the practitioner obtains limited assurance in a review engagement, the types of procedures performed are less extensive than they are in an examination engagement and are generally limited to inquiries and analytical procedures.

.A17 Attestation risk is not applicable to an agreed-upon procedures engagement because, in such engagements, the practitioner performs specific procedures on underlying subject matter or subject matter information and reports the findings without providing an opinion or conclusion.

Criteria (Ref: par. .12 and .33)

.A18 Suitable criteria are required for reasonably consistent measurement or evaluation of underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context sensitive; that is, it is determined in the context of the engagement circumstances. Even for the same underlying subject matter, there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the underlying subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance; that is, if criteria are unsuitable for an examination engagement, they are also unsuitable for a review engagement and vice versa.

Engagement Partner (Ref: par. .12)

.A19 Practitioners are subject to appendix B of the AICPA Code of Professional Conduct, "Council Resolution Concerning the Form of Organization and Name Rule," which states that there must be a CPA who has ultimate responsibility for all engagements performed in accordance with SSAEs and non-CPA owners could not assume ultimate responsibility for any such engagements. Law or regulation may include additional requirements.

Engagement Quality Reviewer and Engagement Team (Ref: par. .12)

.A20 If the attestation engagement is subject to an engagement quality review, the engagement quality reviewer, and any other individuals performing the engagement quality review, are not members of the engagement team. Such individuals, however, are subject to the same relevant ethical requirements as members of the engagement team, including independence.

Engaging Party (Ref: par. .12)

.A21 The engaging party, depending on the circumstances, may be management or those charged with governance of the responsible party, a governmental body or agency, the intended users, or another third party.

Experienced Practitioner (Ref: par. .12)

.A22 Having practical experience in attestation engagements consists of possessing the competencies and skills that would have enabled the practitioner to perform the engagement but does not mean that the practitioner is required to have performed comparable engagements.

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

.A23 The definitions of *firm*, *network*, or *network firm* in relevant ethical requirements may differ from those set out in this section of this proposed SSAE. The AICPA code also provides guidance in relation to the terms *network* and *network firm*. Networks and other network firms may be structured in a variety of ways and are, in all cases, external to the firm. The provisions in this section of this proposed SSAE in relation to networks also apply to any structures or organizations that do not form part of the firm but that exist within the network.

Fraud (Ref: par. .12)

.A24 Although the practitioner may identify fraud or suspect fraud as defined by this section of this proposed SSAE, the practitioner does not make legal determinations about whether fraud has actually occurred.

Subject Matter Information (Ref: par. .12)

.A25 Subject matter information may be as of multiple dates or cover multiple periods.

Appropriate Party (Ref: par. .13)

.A26 Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for the attestation standards to specify for all engagements the person or persons with whom the practitioner is to interact regarding particular matters. For example, an entity may be a segment of an organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance with whom to communicate may require the exercise of professional judgment. Generally, in instances in which the engaging party and the responsible party are different, interactions involving the underlying subject matter or related controls may be with the responsible party, whereas for general engagement matters, it may be appropriate to interact with the engaging party.

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

Complying With AT-C Sections That Are Relevant to the Engagement (Ref: par .14 and .16)

.A27 The scope, effective date, and any specific limitation of the applicability of a specific AT-C section are made clear in the AT-C section. Unless otherwise stated in the AT-C section, the practitioner is permitted to apply an AT-C section before the effective date specified therein; however, this is conditional upon all the related AT-C sections affected by the revisions promulgated in the applicable SSAE also being adopted. Exceptions to the contrary, if any, will be specifically addressed in the respective AT-C section.

.A28 A practitioner's report that merely excludes the phrase "was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants" but is otherwise similar to a practitioner's examination, review, or agreed-upon procedures attestation report is an example of a practitioner's report that is not clearly distinguishable from, and could be confused with, a report issued under the attestation standards.

.A29 Paragraph .16 does not prohibit combining reports issued by a practitioner under the attestation standards with reports issued under other professional standards.

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

.A30 The AT-C sections contain the objectives of the practitioner and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the AT-C section, and definitions.

.A31 Introductory material may include, as needed, such matters as an explanation of the following:

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

.A32 The application and other explanatory material provide further explanation of the requirements of an AT-C section and guidance for carrying them out. In particular, it may

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

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

Although such guidance does not, in itself, impose a requirement, it may explain the proper application of the requirements of an AT-C section. The application and other explanatory material may also provide background information on matters addressed in an AT-C section.

They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable AT-C sections.

.A33 The practitioner is required by paragraph .17 to understand the application and other explanatory material. How the practitioner applies the guidance in the engagement depends on the exercise of professional judgment in the circumstances, consistent with the objective of the AT-C section. The words *may*, *might*, and *could* are used to describe these actions and procedures.

.A34 An AT-C section may include, in a separate section under the heading "Definitions," a description of the meanings attributed to certain terms for purposes of the AT-C section. These are provided to assist in the consistent application and interpretation of the AT-C section and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings in all AT-C sections.

.A35 Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AT-C section or within the title and introduction of the appendix itself.

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

.A36 In certain attestation engagements, the practitioner may also be required to comply with other requirements, such as in law or regulation, in addition to the attestation standards. The attestation standards do not override law or regulation that governs the attestation engagement. In the event that such law or regulation differs from attestation standards, an attestation engagement conducted only in accordance with law or regulation will not necessarily comply with the attestation standards.

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

.A37 Some report forms can be made acceptable by inserting additional wording to include the elements required by proposed AT-C section 205, AT-C section 206, proposed AT-C section 210, and AT-C section 215.[7] Some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the practitioner's report calls for statements by the practitioner that are not consistent with the practitioner's function or responsibility, for example, a report form that requests the practitioner to "certify" the subject matter information.

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

.A38 Paragraph .78 prescribes documentation requirements when the circumstances described in paragraph .22 occur.

[7] Paragraphs .102–.106 of proposed AT-C section 205, paragraph .12 of AT-C section 206, *Direct Examination Engagements*, paragraphs .69–.73 of proposed AT-C section 210, and paragraphs .32–.33 of AT-C section 215, *Agreed-Upon Procedures Engagements*.

Interpretive Publications (Ref: par. .23)

.A39 Interpretive publications are not attestation standards. Interpretive publications are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior technical committee after all members of the committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the attestation standards.

Other Attestation Publications (Ref: par. .24)

.A40 Other attestation publications have no authoritative status; however, they may help the practitioner understand and apply the attestation standards. The practitioner is not expected to be aware of the full body of other attestation publications.

.A41 Although the practitioner determines the relevance of these publications in accordance with paragraph .24, the practitioner may presume that other attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other attestation publications are listed in AT-C appendix B, "Other Attestation Publications."

.A42 In determining whether an other attestation publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the attestation engagement, the practitioner may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying the attestation standards and the degree to which the publisher or author is recognized as an authority in attestation matters.

Acceptance and Continuance of the Attestation Engagement (Ref: par. .25–.27)

.A43 Under QM section 10, for acceptance and continuance decisions, the firm is required to make judgments about the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements. The engagement partner may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements are appropriate. If the engagement partner has concerns regarding the appropriateness of the conclusions reached, the engagement partner may discuss the basis for those conclusions with those involved in the acceptance and continuance process.

.A44 If the engagement partner is directly involved throughout the firm's acceptance and continuance process, the engagement partner will be aware of the information obtained or used by the firm in reaching the related conclusions. Such direct involvement may also provide a basis for the engagement partner's determination that the firm's policies or procedures have been followed and that the conclusions reached are appropriate.

.A45 Neither the engagement partner nor the firm are required to communicate with a predecessor practitioner in connection with the acceptance of an attestation engagement, but the engagement partner or the firm may believe it is beneficial to obtain information that will assist in determining whether to accept the engagement. The AICPA Code of Professional Conduct states that members have a responsibility to cooperate with each other.[8] Accordingly, if the engaging party authorizes the predecessor practitioner to respond to the practitioner's inquiries regarding matters that will assist the practitioner in determining whether to accept the engagement, the predecessor practitioner has a responsibility to respond to the practitioner's inquiries on a timely basis and on the basis of known facts, absent unusual circumstances and unless prohibited by applicable law. Before responding to the practitioner's inquiries, the predecessor practitioner may consider it appropriate to obtain legal advice to determine whether any professional or legal requirements or unusual circumstances may limit the predecessor practitioner's ability to respond. When more than one practitioner is considering accepting an engagement, the predecessor practitioner is not expected to be available to respond to inquiries until a practitioner has been selected by the engaging party.

.A46 In circumstances in which the firm is obligated by law or regulation to accept or continue an attestation engagement, the engagement partner may take into account information obtained by the firm about the nature and circumstances of the engagement.

.A47 In deciding on the necessary action, the engagement partner and the firm may conclude that it is appropriate to continue with the attestation engagement and, if so, determine what additional steps are necessary at the engagement level (for example, the assignment of more staff or staff with specific expertise). If the engagement partner has further concerns or is not satisfied that the matter has been appropriately resolved, the firm's policies or procedures for resolving differences of opinion may be applicable.

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

.A48 The "Independence Standards for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" subtopic (ET sec. 1.297) under the "Independence Rule" establishes special requirements for independence for services provided under the attestation standards. In addition, the "Conceptual Framework Approach" interpretation (ET sec. 1.210.010) discusses threats to independence not specifically detailed elsewhere, for example, when the practitioner has an interest in the underlying subject matter.

.A49 Proposed AT-C sections 205 and 210 and AT-C section 215 provide requirements for examinations, reviews, and agreed-upon procedures engagements, respectively, when the practitioner is not independent but is required by law or regulation to accept the engagement.[9]

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances

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[8] Paragraph .02 of ET section 0.300.020.

[9] Paragraph .06 of proposed AT-C section 205, paragraph .08 of proposed AT-C section 210, and paragraph .10 of AT-C section 215.

Roles and Responsibilities (Ref: par. .30*a*)

.A50 All attestation engagements have an engaging party, a responsible party, the practitioner, and intended users. In some attestation engagements, the engaging party is different from the responsible party. In other attestation engagements, the engaging party, the responsible party, and the intended users may all be the same.

.A51 The responsible party may acknowledge its responsibility for the underlying subject matter as it relates to the objective of the engagement in a number of ways, for example, in an engagement letter, a representation letter, or the presentation of the subject matter information, including the notes thereto, or the written assertion. Examples of other evidence of the responsible party's responsibility for the underlying subject matter include reference to legislation, a regulation, or a contract.

.A52 Evidence that the appropriate relationship exists with respect to responsibility for the underlying subject matter may be obtained through an acknowledgment provided by the responsible party. Such an acknowledgment also establishes a basis for a common understanding of the responsibilities of the responsible party and the practitioner. A written acknowledgment is the most appropriate form of documenting the responsible party's understanding. In the absence of a written acknowledgment of responsibility, it may still be appropriate for the practitioner to accept the engagement if, for example, other sources, such as legislation or a contract, indicate responsibility. In other cases, it may be appropriate to decline the engagement depending on the circumstances or disclose the circumstances in the attestation report.

Appropriate Underlying Subject Matter (Ref: par. .31)

.A53 An element of the appropriateness of underlying subject matter is the existence of a reasonable basis for measuring or evaluating the underlying subject matter against criteria. The responsible party in an assertion-based examination engagement or review engagement is responsible for having a reasonable basis for measuring or evaluating the underlying subject matter against the criteria. What constitutes a reasonable basis will depend on the nature of the underlying subject matter and other engagement circumstances.

.A54 If the underlying subject matter is not appropriate for an examination engagement, it also is not appropriate for a review engagement.

.A55 Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period of time. Such characteristics affect the following:

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

b. The persuasiveness of available evidence

.A56 Identifying such characteristics and considering their effects assists the practitioner when assessing the appropriateness of the underlying subject matter and in determining the content of the practitioner's report.

.A57 In some cases, the attestation engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to examine one aspect of an entity's contribution to sustainable development, such as the programs run by the entity that have positive environmental outcomes, and may be aware that the practitioner has not been engaged to examine more significant programs with less favorable outcomes. In such cases, in determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter, it may be appropriate for the practitioner to consider whether information about the aspect that the practitioner is asked to examine is likely to meet the information needs of intended users.

Suitability and Availability of Criteria (Ref: par. .33)

.A58 Suitable criteria exhibit the following characteristics:

- *Relevance.* Criteria are relevant to the underlying subject matter. Relevant criteria result in subject matter information that assists decision-making by the intended users.
- *Objectivity.* Objective criteria are free from bias.
- *Measurability.* Criteria allow reasonably consistent measurements or evaluation, qualitative or quantitative, of the underlying subject matter, when used in similar circumstances by different practitioners.
- *Completeness.* Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

The relative importance of each characteristic to a particular engagement is a matter of professional judgment.

.A59 Criteria can be developed in a variety of ways, for example, they may be

- embodied in laws or regulations.
- issued by authorized or recognized bodies of experts that follow a transparent due process.
- developed collectively by a group that does not follow a transparent due process.
- published in scholarly journals or books.
- developed for sale on a proprietary basis.

- specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement.

How criteria are developed may affect the work that the practitioner carries out to assess their suitability.

.A60 Criteria that are established or developed by groups composed of experts that follow due process procedures, including exposure of the proposed criteria for public comment, are ordinarily considered suitable. Criteria promulgated by a body designated by the Council of the AICPA under the AICPA Code of Professional Conduct are, by definition, considered to be suitable.

.A61 In some cases, laws or regulations prescribe the criteria to be used for the engagement. In the absence of indications to the contrary, such criteria are presumed to be suitable.

.A62 Criteria may be established or developed by the engaging party, the responsible party, industry associations, or other groups that do not follow due process procedures or do not clearly represent the public interest. The practitioner's determination of whether such criteria are suitable is based on the characteristics described in paragraph .A58.

.A63 Regardless of who establishes or develops the criteria, the responsible party or the engaging party is responsible for selecting the criteria, and the engaging party is responsible for determining that such criteria are appropriate for its purposes.

.A64 Some criteria may be suitable for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. For example, criteria set forth in a lease agreement for override payments may be suitable only for reporting to the parties to the agreement because of the likelihood that such criteria would be misunderstood or misinterpreted by parties other than those who have specifically agreed to the criteria. Such criteria can be agreed upon directly by the parties or through a designated representative.

.A65 Even when established criteria exist for an underlying subject matter, specific users may agree to other criteria for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs.

.A66 If criteria are specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement, they are not suitable if they result in subject matter information or a practitioner's report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an acknowledgment may affect what is to be done to assess the suitability of the criteria and the information provided about the criteria in the report.

.A67 Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:

a. Publicly

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

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

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

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

.A68 The practitioner's determination regarding the suitability and availability of the criteria may change during the course of the examination or review engagement. If the practitioner determines that the criteria are no longer suitable or available, paragraph .37 applies.

.A69 When criteria are available only to specified parties, proposed AT-C sections 205 and 210 require a statement restricting the use of the practitioner's report.[10]

Evidence to Support the Practitioner's Opinion, Conclusion, or Findings (Ref: par. .34)

.A70 The nature of the relationship between the responsible party and, if different, the engaging party, may affect the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to arrive at the practitioner's opinion, conclusion, or findings. Therefore, the nature of that relationship may be a relevant consideration when determining whether or not to accept the engagement.

.A71 The quantity or quality of available evidence is affected by both of the following:

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

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

[10] Paragraphs .104–.106 of proposed AT-C section 205, paragraphs .71–.73 of proposed AT-C section 210, and paragraphs .32–.33 of AT-C section 215.

.A72 The practitioner may include the engaging party's agreement to provide access to relevant information and persons in the engagement letter or other suitable form of written agreement regarding the agreed-upon terms of the engagement.

.A73 The engagement as a whole may be misleading to intended users because of the scope of the engagement. For example, if the subject matter of the engagement is internal control, the scope of controls included may be inappropriate given the intended use of the practitioner's report. The engagement as a whole may also be misleading based on the engagement that the practitioner is engaged to perform.

Terms of the Attestation Engagement

Changing the Terms of the Attestation Engagement (Ref: par. .38)

.A74 A change in circumstances that affects the requirements of the responsible party or, if different, the engaging party, or a misunderstanding concerning the nature of the engagement originally requested, may be considered reasonable justification for requesting a change in the engagement, for example, from an attestation engagement to a consulting engagement or from an examination engagement to a review engagement. A change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete, or otherwise unsatisfactory. An example of such a circumstance is a request to change the engagement from an examination to a review to avoid a modified opinion or a disclaimer of opinion in a situation in which the practitioner is unable to obtain sufficient appropriate evidence regarding the underlying subject matter or subject matter information.

Engagement-Level Quality Management

Engagement Resources

*Sufficient and Appropriate Resources to Perform the Engagement (Ref: par. .42*a*)*

.A75 Resources include human, technological, and intellectual resources. Human resources include members of the engagement team and, when applicable, any practitioner's external specialists and internal auditors who provide direct assistance. Technological resources include technological tools that may allow the practitioner to more effectively and efficiently manage the engagement. Intellectual resources include, for example, attestation methodologies, implementation tools, attestation guides, model programs, templates, checklists, or forms.

.A76 In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, ordinarily, the engagement partner may depend on the firm's related policies or procedures (including resources). For example, based on information communicated by the firm, the engagement partner may be able to depend on the firm's technological development, implementation, and maintenance programs when using firm-approved technology to perform attestation procedures.

*Assignment of the Engagement Team and the Practitioner's Specialists (Ref: par. .42*b*)*

.A77 The practitioner may obtain knowledge about the specific underlying subject matter to which the procedures are to be applied and the criteria through formal or continuing education, practical experience, or consultation with others.

.A78 When determining that the engagement team has the appropriate competence and capabilities, the engagement partner may take into consideration such matters as the engagement team's

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

.A79 Under QM section 10, the firm is required to establish a quality objective that addresses the nature, timing, and extent of the direction and supervision of engagement teams and review of their work. QM section 10 also requires that such direction, supervision, and review be planned and performed on the basis that the work performed by less experienced members of the engagement team be directed, supervised, and reviewed by more experienced team members.

.A80 Some of the attestation procedures may be performed by a multidisciplinary team that includes one or more practitioner's specialists. For example, in an examination engagement, a practitioner's specialist may be needed to assist the practitioner in obtaining an understanding of the underlying subject matter, criteria, and other engagement circumstances or in assessing or responding to the risk of material misstatement.

Insufficient or Inappropriate Resources (Ref: par. .43)

.A81 The engagement partner's determination of whether additional engagement-level resources are required is a matter of professional judgment and is influenced by the requirements of this section of this proposed SSAE and the nature and circumstances of the engagement. In certain circumstances, the engagement partner may determine that the firm's responses to quality risks are ineffective in the context of the specific engagement, including that certain resources assigned or made available to the engagement team are insufficient. In those circumstances, the engagement partner is required to take appropriate action, including communicating such information to the appropriate individuals in accordance with paragraphs .43 and .61*c.* For example, if an attestation software program provided by the firm has not incorporated new or revised procedures regarding a recently issued industry regulation, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the engagement.

.A82 If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include the following:

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

The Engagement Partner's Responsibilities (Ref: par. .44, .47–.48, .54, .56, and .60–.61)

.A83 The engagement partner remains ultimately responsible and, therefore, accountable for compliance with the requirements of this section of this proposed SSAE. Nevertheless, the engagement partner may seek assistance from others to fulfill these responsibilities. The phrase "take responsibility for…" is used for those requirements for which the engagement partner is permitted to assign the design or performance of procedures, tasks, or actions to appropriately skilled or suitably experienced members of the engagement team. For other requirements, this section of this proposed SSAE expressly intends that the requirement or responsibility be fulfilled by the engagement partner. In such circumstances, the engagement partner may need to obtain information from the firm or other members of the engagement team. For example, when others perform supervisory and review activities, the outcomes of those activities can be taken into account by the engagement partner in fulfilling these responsibilities.

Using the Work of a Participating Practitioner and Referred-to Practitioner (Ref: par. .45 and .67)

.A84 Circumstances may arise in which an other individual (including an other practitioner) may perform work on information that is used by the practitioner as evidence. For example, a service auditor may issue a report on a service organization's controls that is considered by the practitioner. Because such an individual is neither a participating practitioner nor a referred-to practitioner, paragraphs .42–.44 do not apply. Rather, the work of this individual would ordinarily be considered an information source in accordance with QM section 10. In an examination or a review engagement, the relevance and reliability of information to be used as evidence is evaluated in accordance with the requirements of proposed AT-C sections 205 and 210.[11, 12]

.A85 Because a participating practitioner is part of the engagement team, the quality management requirements associated with the engagement team, including those in paragraphs .42–.44, apply.

.A86 A participating practitioner may be part of the practitioner's firm, a network firm, or another firm.

.A87 Paragraph .42*a* requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. Accordingly, the practitioner may involve a participating practitioner to perform attestation procedures to fulfill the requirements of the attestation standards.

.A88 Regardless of whether the practitioner uses the work of a participating practitioner, the engagement partner remains ultimately responsible and, therefore, is accountable for compliance with the requirements of the attestation standards.

Leadership Responsibilities for Managing and Achieving Quality in Attestation Engagements

Competence and Capabilities (Ref: par. .46–.47)

.A89 QM section 10 requires the firm to establish as a quality objective that engagement team members, including an engagement partner, who have appropriate competence and capabilities to consistently perform quality engagements, including being given sufficient time, are assigned to each engagement.[13]

.A90 Having the appropriate competence and capabilities, including in the underlying subject matter, enables the engagement partner to, for example,

- *a.* when needed, ask appropriate questions of a practitioner's specialist and evaluate whether the answers make sense in the engagement circumstances.
- *b.* evaluate the adequacy of a practitioner's specialist's work for the practitioner's purposes.
- *c.* take responsibility for the conclusions reached or findings reported on the engagement.

.A91 What constitutes competence and capabilities sufficient to take responsibility for the conclusions reached or findings reported on the engagement depends on the engagement circumstances and differs from engagement to engagement. Whether the engagement partner has sufficient competence and capabilities to take responsibility for the conclusions reached or findings reported on the engagement is a matter of professional judgment and may involve consideration of factors such as the following:

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[11] Paragraph .25*a* of proposed AT-C section 205.
[12] Paragraph .17*a* of proposed AT-C section 210.
[13] Paragraph .33*d* of QM section 10.

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

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

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

.A92 Being sufficiently and appropriately involved throughout the attestation engagement when procedures, tasks, or actions have been assigned to other members of the engagement team may be demonstrated by the engagement partner in different ways, including the following:

- Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof, and providing any other necessary instructions and relevant information
- Directing and supervising the assignees
- Reviewing the assignees' work to evaluate the conclusions reached, in addition to the requirements in paragraphs .42*c*, .47*b*, and .49–.52 of this section of this proposed SSAE

*Direction and Supervision (Ref: par. .47*b *and .67)*

.A93 Paragraph .47*b* requires the engagement partner to take responsibility for the direction and supervision of the members of the engagement team and the review of their work. A referred-to practitioner is not part of the engagement team. Accordingly, if the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the requirement in paragraph .47*b* does not apply.

*Appropriate Consultation (Ref: par. .47*c*)*

.A94 Paragraph .42*d*i requires the engagement partner to determine that members of the engagement team have undertaken appropriate consultation on the matters specified in paragraph .47*c* during the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm.

*Communication Within the Engagement Team (Ref: par. .48*c*)*

.A95 When relevant to the attestation engagement, matters that may be communicated within the engagement team may include, but are not limited to,

- information about breaches of relevant ethical requirements, including identified breaches of independence provisions.

- information about instances of noncompliance with laws or regulations.

- newly arising risks of material misstatement at the upper end of the spectrum of risk, including risks of fraud.

- actual or suspected fraud involving individuals responsible for all or a portion of the subject matter of the engagement that could result in a material misstatement in the subject matter.

- significant or unusual transactions.

Review of Written Communications (Ref: par. .52)

.A96 The engagement partner uses professional judgment in determining which written communications to review, taking into account the nature and circumstances of the engagement. For example, it may not be necessary for the engagement partner to review communications between the engagement team and management in the ordinary course of the engagement.

Compliance With Relevant Ethical Requirements

Relevant Ethical Requirements (Ref: par. .55)

.A97 Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in

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

The Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: par. .56)

.A98 Within the context of the firm's system of quality management, engagement team members from the firm are responsible for implementing the firm's policies or procedures that are applicable to the engagement. Engagement team members from another firm, including a network firm, are neither partners nor staff of the engagement partner's firm.

- Members of the same network may be subject to common network requirements or use common network services, and the engagement partner may be able to depend on such network requirements, for example, those addressing professional training or recruitment or that require the use of audit methodologies and related implementation tools. In such circumstances, the firm may need to adapt or supplement network requirements or network services to be appropriate for use in its system of quality management.

- Another firm that is not a member of the same network may not be subject to the firm's system of quality management or the firm's policies or procedures. Further, the policies or procedures of another firm may not be similar to those of the engagement partner's firm. For example, policies or procedures regarding direction, supervision, and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language, or culture than that of the engagement partner's firm.

Accordingly, when the engagement team includes individuals who are from another firm, different actions may need to be taken by the firm or the engagement partner to implement the firm's policies or procedures with respect to the work of those individuals.

Identifying and Evaluating Threats to Compliance With Relevant Ethical Requirements (Ref: par. .56)

.A99 In accordance with QM section 10, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements.

Breaches of Relevant Ethical Requirements (Ref: par. .58)

.A100 In accordance with QM section 10, the firm is required to establish policies or procedures for identifying, communicating, evaluating, and reporting any breaches of relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.

Taking Appropriate Action in Relation to Unfulfilled Ethical Requirements (Ref: par. .59)

.A101 Examples of appropriate actions the engagement partner, in consultation with others in the firm, may take when matters come to the engagement partner's attention that indicate that relevant ethical requirements applicable to the nature and circumstances of the engagement have not been fulfilled include the following:

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

- Withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

Considerations Specific to Governmental Organizations (Ref: par. .55)

.A102 Law or regulation may provide safeguards for the independence of governmental organizations and the practitioners they employ. However, in the absence of law or regulation, governmental organizations may establish supplemental safeguards to assist the practitioner or organization in maintaining independence.

Monitoring and Remediation (Ref: par. .61)

.A103 In considering information communicated by the firm through its monitoring and remediation process and how it may affect the engagement, the engagement partner may consider the remedial actions designed and implemented by the firm to address deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team. The engagement partner may also determine whether additional remedial actions are needed at the engagement level. For example, the engagement partner may determine that

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

If an identified deficiency does not affect the quality of the engagement (for example, if it relates to a technological resource that the engagement team did not use), then no further action may be needed.

Engagement Quality Review (Ref: par. .63)

.A104 QM section 10 contains requirements that the firm establish policies or procedures addressing engagement quality reviews in accordance with QM section 20, *Engagement Quality Reviews*, and requiring an engagement quality review for certain types of engagements.[14] QM section 20 deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performing and documenting an engagement quality review.

Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: par. .64)

.A105 Professional skepticism includes remaining alert to matters such as the following:

- Evidence that contradicts other evidence obtained

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[14] Paragraph .35*f* of QM section 10, *A Firm's System of Quality Management*.

- Information that brings into question the reliability of documents and responses to inquiries to be used as evidence
- The possibility that a material misstatement due to fraud could exist
- The possibility that procedures performed during the engagement may bring instances of noncompliance or suspected noncompliance with laws or regulations to the practitioner's attention
- Circumstances that suggest the need for procedures in addition to those required by relevant AT-C sections

.A106 Professional skepticism is necessary to the critical assessment of evidence. This includes questioning contradictory evidence and the reliability of documents and responses to inquiries and other information obtained from the appropriate party. It also includes consideration of the sufficiency and appropriateness of evidence obtained in light of the circumstances.

.A107 The practitioner neither assumes that the appropriate party is dishonest nor assumes unquestioned honesty. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism or allow the practitioner to be satisfied with less-than-sufficient appropriate evidence for the service being provided.

Professional Judgment (Ref: par. .66)

.A108 Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant ethical requirements and relevant AT-C sections and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances.

.A109 For examination and review engagements, professional judgment is necessary regarding decisions about the following matters:

- Materiality and attestation risk
- The nature, timing, and extent of procedures used to meet the requirements of relevant AT-C sections and gather evidence
- Evaluating whether sufficient appropriate evidence for the service being provided has been obtained and whether more needs to be done to achieve the objectives of this section of this proposed SSAE, proposed AT-C section 205, AT-C section 206, or proposed AT-C section 210, and any relevant subject-matter AT-C sections and, thereby, the overall objectives of the practitioner
- In assertion-based examination engagements and review engagements, the evaluation of the responsible party's judgments in applying the criteria

- The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of underlying subject matter

.A110 The distinguishing feature of professional judgment expected of a practitioner is that such judgment is exercised based on competencies necessary to achieve reasonable judgments developed by the practitioner through relevant training, knowledge, and experience.

.A111 The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assists the practitioner in making informed and reasonable judgments.

.A112 Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of the attestation standards and measurement or evaluation principles and is appropriate in light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's report.

.A113 The requirement to exercise professional judgment applies throughout the engagement.

Evidence

Sources of Information to Be Used as Evidence

Referred-to Practitioner (Ref: par. .67)

.A114 Paragraph .42*a* requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. If the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the requirements in paragraph .42 do not apply.

.A115 Regardless of whether the practitioner determines to make reference to the report of a referred-to practitioner in the practitioner's report, the engagement partner remains ultimately responsible and, therefore, is accountable for compliance with the requirements of the attestation standards.

Documentation (Ref: par. .68–.69 and .72–.73)

.A116 Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time.

.A117 When relevant to the engagement, the following are examples of matters that may be documented related to procedures that are either required to comply with certain AT-C sections and applicable legal and regulatory requirements or otherwise may have been performed:

- The quantitative and, when applicable, qualitative factors relevant in the practitioner's consideration of materiality[15]
- Identified or suspected fraud or noncompliance with laws and regulations and the procedures performed, the significant judgments made, and the conclusions thereon
- In an examination engagement:
    - — The discussion among the engagement team regarding the susceptibility of the subject matter to material misstatement whether due to fraud or error[16] and the significant decisions reached
    - — The evaluation of the design of identified controls and determination about whether such controls have been implemented[17]
    - — The identified and assessed risks of material misstatement at the appropriate level for the subject matter as a basis for designing and performing other procedures[18]
    - — The design and implementation of overall responses to address the assessed risks of material misstatement for the subject matter or assertion[19]
- In a review engagement:
    - — The identified areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated[20]
- All misstatements accumulated during the engagement, other than those that are clearly trivial, and whether they have been corrected
- The practitioner's conclusion about whether uncorrected misstatements, if any, are material, individually or in the aggregate, and the basis for that conclusion
- 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

[15] Paragraphs .23–.24 of proposed AT-C section 205 and .15–.16 of proposed AT-C section 210.
[16] Paragraphs .37–.38 of proposed AT-C section 205.
[17] Paragraph .45 of proposed AT-C section 205.
[18] Paragraph .46 of proposed AT-C section 205.
[19] Paragraph .51 of proposed AT-C section 205.
[20] Paragraph .27 of proposed AT-C section 210.

of those providing the written representations or that the written representations are otherwise not reliable, the matters in proposed AT-C sections 205[21] and 210[22]

- When the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in proposed AT-C sections 205[23] and 210,[24] the oral responses from the responsible party to the practitioner's inquiries regarding such matters

.A118 Documentation includes a record of the practitioner's reasoning on all significant matters that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

.A119 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 (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.

.A120 The completion of the assembly of the final engagement file is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include the following:

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

.A121 Pursuant to QM section 10, in the case of engagements conducted under the SSAEs, the retention period is ordinarily no shorter than five years from the date of the engagement report.[25]

[21] Paragraph .91 of proposed AT-C section 205.
[22] Paragraph .59 of proposed AT-C section 210.
[23] Paragraph .86 of proposed AT-C section 205.
[24] Paragraph .54 of proposed AT-C section 210.
[25] Paragraph .A89 of QM section 10.

PROPOSED AT-C SECTION 205

Assertion-Based Examination Engagements

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Proposed AT-C Section 205
Assertion-Based Examination Engagements

Introduction

.01 This section of this proposed Statement on Standards for Attestation Engagements (SSAE) contains performance and reporting requirements and application material for examination engagements. The requirements and guidance in this section of this proposed SSAE supplement the requirements and guidance in proposed AT-C section 105, *Concepts Common to All Attestation Engagements*.[38] For purposes of applying this section, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as defined in proposed AT-C section 105. If only one of these terms is applicable, that term is used. Additionally, when the term *examination* is used in this section, it refers to an *assertion-based examination*. AT-C section 206, *Direct Examination Engagements*, contains performance and reporting requirements and application guidance for direct examination engagements.

Effective Date

.02 If issued as final, this section of the proposed SSAE will be effective for engagements beginning on or after June 15, 2029. Early implementation is permitted only if the practitioner also implements AT-C section 105 and, if applicable to the engagement, AT-C section 210, included in this proposed SSAE, early.

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.
c. communicate further as required by relevant AT-C sections."

Definitions

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

Analytical procedures. Evaluations of information through analysis of plausible relationships among both quantitative and qualitative data. Analytical procedures also encompass such

[38] All AT-C sections can be found in AICPA *Professional Standards*.

investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

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

Management's specialist. An individual or organization possessing expertise in a specialized field related to the subject matter or criteria whose work is used by the responsible party to prepare or evaluate the subject matter. (Ref: par. .A1)

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

Other information. Information that is not subject to the attestation engagement but is included in a document or documents containing the information subject to the attestation engagement and the practitioner's report thereon. (Ref: par. .A2)

Population. The entire set of data from which a sample is selected and about which the practitioner wishes to draw conclusions.

Risk of material misstatement. The risk that the subject matter is materially misstated prior to the engagement.

Sampling. The selection and evaluation of less than 100 percent of the population of relevance such that the practitioner expects the items selected (the sample) to be representative of the population and, thus, likely to provide a reasonable basis for conclusions about the population. In this context, *representative* means that evaluation of the sample will result in conclusions that, subject to the limitations of sampling risk, are similar to those that would be drawn if the same procedures were applied to the entire population.

Sampling risk. The risk that the practitioner's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same procedure.

Subsequently discovered facts. Facts that become known to the practitioner after the date of the practitioner's report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner's report.

Substantive procedure. A procedure designed to detect material misstatements. Substantive procedures include tests of details and substantive analytical procedures.

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 of this proposed SSAE, proposed AT-C section 105, and any subject-matter AT-C section that is relevant to the engagement. A subject-matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. .A3)

Preconditions for an Examination Engagement

.06 Proposed AT-C section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards unless the practitioner is required by law or regulation to accept the engagement.[39] When the practitioner is not independent but is required by law or regulation to accept the engagement, the practitioner should disclaim an opinion and should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor.

Terms of the Examination Engagement

Agreeing the Terms of the Examination 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. .A4)

.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. .A5)
- *c.* A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA
- *d.* The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. .A6–.A9)
- *e.* A statement about the inherent limitations of an examination engagement (Ref: par. .A10)
- *f.* Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter
- *g.* An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

[39] Paragraph .28 of proposed AT-C section 105, *Concepts Common to All Attestation Engagements*.

h. Reference to the expected form and content of any reports to be issued by the practitioner and a statement that circumstances may arise in which a report may differ from its expected form and content (Ref: par. .A11)

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

Requesting a Written Assertion

.10 The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the underlying subject matter against the criteria. The practitioner should use professional judgment in determining whether the responsible party has a reasonable basis for making its assertion. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .125 requires the practitioner to withdraw from the engagement, when practicable. If the practitioner determines that it is not practicable to withdraw, paragraph .126 requires the practitioner to disclaim an opinion. 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 .127 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. .A12–.A17 and .A186)

Engagement-Level Quality Management

Engagement Resources

Using the Work of a Practitioner's Specialist

.11 When the practitioner expects to use the work of a practitioner's specialist, the practitioner should

a. determine that the practitioner's internal specialist has the appropriate competence and capabilities for the practitioner's purposes. (Ref: par. .A18–.A20)
b. evaluate whether the practitioner's external specialist has the appropriate competence, capabilities, and objectivity for the practitioner's purposes. The evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner's external specialist. (Ref: par. .A19–.A22)
c. obtain a sufficient understanding of the field of expertise of a practitioner's specialist to enable the practitioner to (Ref: par. .A23)
    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.

d. agree, in writing when appropriate, with the practitioner's specialist regarding (Ref: par. .A24)
   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.

e. evaluate whether the work of the practitioner's specialist is adequate 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 is significant to the work of the practitioner's specialist, the relevance, completeness, and accuracy of that source data.

.12 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.

.13 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:[40]

a. The significance of that specialist's work in the context of the engagement (Ref: par. .A25–.A26)

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

[40] Paragraph .42 of proposed AT-C section 105.

e. Whether that specialist is subject to the practitioner's firm's quality management policies and procedures (Ref: par. .A27)

Using Internal Auditors to Provide Direct Assistance

.14 When the practitioner expects to use internal auditors to provide direct assistance, the practitioner should evaluate

a. whether the individual internal auditors providing direct assistance have the appropriate level of competence.

b. the existence and significance of threats to the objectivity of internal auditors who will be providing direct assistance as well as any safeguards applied to reduce or eliminate the threats.

.15 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 auditors perform for the practitioner.

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

.17 In determining the nature and extent of work that may be assigned to internal auditors providing direct assistance and the nature, timing, and extent of direction, supervision, and review that is appropriate in the circumstances, the practitioner should consider

a. the practitioner's evaluation of the level of competence of the internal auditors who will be providing such assistance, the existence and significance of threats to the internal auditors' objectivity, and the effectiveness of the safeguards applied to reduce or eliminate the threats.

b. the assessed risk of material misstatement.

c. the amount of judgment involved in

i. planning and performing relevant procedures; and

ii. evaluating the evidence obtained.

.18 The practitioner should evaluate whether, in aggregate, using internal auditors to provide direct assistance to the extent planned, together with any planned use of the work of the internal audit function in obtaining evidence, would result in the practitioner still being sufficiently involved in the examination engagement given the practitioner's sole responsibility for the opinion expressed (see paragraph .31). (Ref: par. .A28)

Planning

Planning Activities

.19 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. .A29–.A33)

.20 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.
- *d.* ascertain the nature, timing, and extent of resources necessary to perform the engagement, including whether the practitioner expects to use the work of a participating practitioner or intends to make reference to the report of a referred-to practitioner. (Ref: par. .A33)

.21 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 .49)
- *c.* Other planned procedures that are required to be carried out so that the engagement complies with the attestation standards

.22 The engagement partner and other key members of the engagement team should be involved in planning the engagement, including participating in the discussion among engagement team members in accordance with paragraph .37. (Ref: par. .A34)

Materiality

.23 The practitioner should consider materiality when (Ref: par. .A35–.A42)

- *a.* establishing the overall engagement strategy;

- *b.* determining the nature, timing, and extent of procedures; and

- *c.* evaluating 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.

.24 If the practitioner becomes aware of information during the examination engagement that, if known previously, would have caused the practitioner to have considered materiality differently, the practitioner should reconsider materiality.

Evidence

Evaluating Information to Be Used as Evidence

.25 The practitioner should evaluate information to be used as evidence by taking into account (Ref: par. .A43–.A45)

- *a.* the relevance and reliability of the information, including its source. (Ref: par. .A46)
- *b.* whether such information corroborates or contradicts the underlying subject matter. (Ref: par. .A47–.A49)

.26 The practitioner's evaluation of the information to be used as evidence in accordance with paragraph .25 should include

- *a.* evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes; and
- *b.* obtaining evidence about the accuracy and completeness of the information, as necessary. (Ref: par. .A50)

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

.27 When the practitioner expects to use information that has been prepared using the work of a management's specialist, the practitioner, to the extent necessary and taking into account the significance of that specialist's work for the practitioner's purposes, should

- *a.* evaluate the competence, capabilities, and objectivity of that specialist. (Ref: par. .A51–.A53)
- *b.* obtain an understanding of the work of that specialist. (Ref: par. .A54–.A58)
- *c.* evaluate whether that specialist's work is appropriate for the practitioner's purposes. (Ref: par. .A59)

Using the Work of the Internal Audit Function

.28 When the practitioner expects to use the work of the internal audit function in obtaining evidence, the practitioner should evaluate the (Ref: par. .A60–.A62)

a. level of competence of the internal audit function.

b. extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors.

c. application by the internal audit function of a systematic and disciplined approach, including quality management.

.29 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 in obtaining evidence, to determine whether the work is adequate for the practitioner's purposes. This includes reperforming some of the body of work of the internal audit function that the practitioner intends to use in obtaining evidence.

.30 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 in the following circumstances:

a. The more judgment is involved in
   i. planning and performing relevant procedures or
   ii. evaluating the evidence obtained

b. The higher the assessed risk of material misstatement

c. The less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors

d. The lower the level of competence of the internal audit function

.31 The practitioner should evaluate whether, in aggregate, using the work of the internal audit function in obtaining evidence to the extent planned, together with any planned use of internal auditors to provide direct assistance, would result in the practitioner still being sufficiently involved in the examination engagement given the practitioner's sole responsibility for the opinion expressed (see paragraph .18). (Ref: par. .A28)

Using Information Reported on by an Other Individual

.32 When the practitioner expects to use information reported on by an other individual, including an other practitioner who is not a participating practitioner or a referred-to practitioner, as evidence, the practitioner should determine whether the information is adequate for the practitioner's purposes by (Ref: par. .A63)

a. obtaining and reading the information and the report of the other individual; and *b.* evaluating the information reported on by the other individual to be used as evidence, in accordance with paragraph .25. (Ref: par. .A64)

Procedures as a Basis for Concluding on the Sufficiency and Appropriateness of Evidence

.33 In evaluating information to be used as evidence, the practitioner should consider whether the results of procedures provide a basis for concluding on the sufficiency and appropriateness of evidence obtained.

Inconsistencies in, or Doubts About the Reliability of, Evidence

.34 The practitioner should determine whether modifications or additions to the procedures are necessary to resolve inconsistencies in, or doubts about the reliability of, evidence and should consider the effect of the matter, if any, on other aspects of the engagement, including when (Ref: par. .A65–.A66)

a. evidence obtained from one source is inconsistent with that obtained from another source.

b. the results of a procedure are inconsistent with the results of another procedure.

Risk Assessment Procedures

Understanding the Subject Matter and Other Engagement Circumstances

.35 The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to (Ref: par. .A67–.A70)

a. enable the practitioner to identify and assess the risks of material misstatement, whether due to fraud or error, at the appropriate level for the subject matter. (Ref: par. .A71)

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

.36 In obtaining an understanding of the subject matter in accordance with paragraph .35, the practitioner should obtain an understanding, through risk assessment procedures, including inquiries and other procedures, of internal control over the preparation, measurement, or evaluation of the subject matter in accordance with (or based on) the criteria. (Ref: par. .A67 and .A72–.A75)

Engagement Team Discussion

.37 The engagement partner and other key members of the engagement team should discuss the susceptibility of the subject matter to material misstatement, whether due to fraud or error. (Ref: par. .A76-.A78)

.38 The engagement partner should determine which matters arising from the discussion are to be communicated to members of the engagement team not involved in the discussion.

Understanding the Entity's Reporting Policies

.39 The practitioner should obtain an understanding of the entity's reporting policies relevant to the subject matter of the engagement, if any. (Ref: par. .A79)

Fraud or Noncompliance With Laws or Regulations Affecting the Subject Matter

.40 The practitioner should

a. consider whether risk assessment procedures and other procedures related to understanding the subject matter indicate a risk of material misstatement due to fraud or noncompliance with laws or regulations. (Ref: par. .A80)

b. make inquiries of individuals within the appropriate party about whether those individuals have knowledge of any fraud or suspected fraud, including allegations of fraud, or instances of noncompliance or suspected noncompliance with laws or regulations affecting the subject matter. (Ref: par. .A81–.A83)

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 a risk of material misstatement due to fraud or noncompliance with laws or regulations.

.41 The practitioner should remain alert to the possibility that procedures performed may bring information about fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws and regulations to the practitioner's attention. (Ref: par. .A84)

.42 In the absence of identified or suspected noncompliance, the practitioner is not required to perform procedures relating to the entity's compliance with laws or regulations other than those set out in paragraphs .40–.41 and .85*f*ii unless such laws or regulations are relevant to the engagement circumstances. (Ref: par. .A85)

Other Inquiries of the Responsible Party

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

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

Understanding of Internal Control When the Subject Matter of the Engagement Is Not Internal Control

Control Activities

.44 If the practitioner intends to obtain evidence about the operating effectiveness of controls, the practitioner should identify (Ref: par. .A71 and .A86)

a. controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, which should include controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence.

b. based on the controls identified in item (*a*), the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT.

c. for the IT applications and other aspects of the IT environment identified in item (*b*),

i. the related risk arising from the use of IT and

ii. the general IT controls that address such risk.

Design and Implementation of Controls When the Subject Matter of the Engagement Is Not Internal Control

.45 If the practitioner identifies controls as described in paragraph .44, the practitioner should obtain an understanding of each control identified by (Ref: par. .A86)

a. evaluating whether the control is designed effectively to address the risk of material misstatement, or effectively designed to support the operation of other controls; and (Ref: par. .A87)

b. determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.

Identifying and Assessing the Risks of Material Misstatement

.46 The practitioner should identify and assess risks of material misstatement at the appropriate level for the subject matter as a basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .A71 and .A88–.A91)

a. are responsive to assessed risks of material misstatement; and
b. allow the practitioner to obtain reasonable assurance to support the practitioner's opinion.

Evaluating the Evidence Obtained From the Risk Assessment Procedures

.47 The practitioner should determine whether the evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner should perform additional procedures until evidence has been obtained to provide such a basis.

Responding to Risks of Material Misstatement

.48 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.

Designing and Performing Further Procedures

.49 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, whether due to fraud or error, at the appropriate level for the subject matter and in a manner that is not biased toward obtaining evidence that may be corroborative or toward excluding evidence that may be contradictory. When evaluating evidence with respect to the assessed risks of material misstatement, the practitioner maintains professional skepticism, including when considering information that may be used as evidence and what procedures would be appropriate in the circumstances. (Ref: par. .A71)

.50 In designing and performing further procedures in accordance with paragraph .49, the practitioner should

a. consider the reasons for the assessment given to the risk of material misstatement;
b. consider whether the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures; and
c. obtain more persuasive evidence the higher the practitioner's assessment of risk.

Overall Responses

.51 The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter or assertion. (Ref: par. .A92–.A94)

Tests of Controls

.52 The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of controls if any of the following apply:

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

b. Procedures other than tests of controls cannot alone provide sufficient appropriate evidence.

c. The subject matter is the operating effectiveness of controls.

.53 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.

Tests of Controls When the Subject Matter of the Engagement Is Not Internal Control

.54 If the practitioner intends to obtain evidence about the operating effectiveness of controls, the practitioner should (Ref: par. .A86)

a. perform other procedures in combination with inquiry to obtain evidence about the operating effectiveness of the controls, including

i. how the controls were applied at relevant times during the period to which the subject matter information relates;

ii. the consistency with which they were applied; and

iii. by whom or by what means they were applied, including, when applicable, whether the person performing the control possesses the necessary authority and competence to perform the control effectively. (Ref: par. .A95–.A101)

b. to the extent not already addressed, determine whether the controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect controls. (Ref: par. .A102)

.55 The practitioner should test controls for the appropriate period for which the practitioner intends to rely on those controls, in order to provide an appropriate basis for the practitioner's intended reliance. (Ref: par. .A86)

.56 If the practitioner obtains evidence about the operating effectiveness of controls during an interim period, the practitioner should (Ref: par. .A86) *a.* obtain evidence about significant changes to those controls subsequent to the interim period; and

b. determine the additional evidence to be obtained for the remaining period.

.57 The practitioner is permitted to use evidence from a previous examination engagement about the operating effectiveness of specific controls. If the practitioner plans to use evidence from a previous examination engagement about the operating effectiveness of specific controls, the practitioner should perform procedures to establish the continuing relevance of that information to the current engagement. The practitioner should obtain this evidence by performing inquiry, combined with observation or inspection, to confirm the understanding of those specific controls, and (Ref: par. .A86)

a. if there have been changes that affect the continuing relevance of the evidence from the previous examination engagement, the practitioner should test the controls in the current examination engagement.

b. if there have not been such changes, the practitioner should test the controls at least once in every third year and should test some controls during each examination. (Ref: par. .A103–.A104)

.58 When evaluating the operating effectiveness of controls upon which the practitioner intends to rely, the practitioner should evaluate whether misstatements that have been detected through performing other procedures indicate that controls are not operating effectively. The absence of misstatements detected by other procedures, however, does not provide evidence that controls being tested are effective. (Ref: par. .A86)

Substantive Procedures

.59 Irrespective of the assessed risks of material misstatement, when the subject matter of the engagement is not internal control, the practitioner should design and perform substantive procedures related to the subject matter.

.60 If substantive procedures are performed at an interim date and the practitioner intends to extend the conclusions of those substantive procedures for the remaining period, the practitioner should cover the remaining period by performing procedures that provide a reasonable basis for extending the conclusions from the interim date to the period-end. (Ref: par. .A105)

Substantive Analytical Procedures

.61 When designing and performing analytical procedures in response to assessed risks, the practitioner should: (Ref: par. .A106–.A107)

a. determine the suitability of particular analytical procedures for the subject matter, taking into account the assessed risks of material misstatement and any related tests of details.

b. evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available, and controls over their preparation.

c. develop an expectation that is sufficiently precise to identify possible material misstatements (taking into account whether analytical procedures are to be performed alone or in combination with tests of details).

.62 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.

b. performing other procedures as necessary in the circumstances.

Sampling

.63 When designing a sample, the practitioner should consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn. When performing sampling procedures, the practitioner should (Ref: par. .A108–.A109)

a. determine a sample size sufficient to reduce sampling risk to an acceptably low level.

b. select 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. treat 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. investigate the nature and cause of deviations or misstatements identified and evaluate their possible effect on the purpose of the procedure and on other areas of the engagement.

e. evaluate the results of the sample, including sampling risk and projecting misstatements found in the sample to the population.

f. evaluate whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested.

Estimates

.64 Based on the assessed risks of material misstatement, the practitioner should evaluate whether (Ref: par. .A110–.A111)

a. the responsible party has appropriately applied the requirements of the criteria relevant to estimates;

b. the responsible party's methods for developing estimates are appropriate and have been applied consistently; and

c. changes, if any, in reported estimates or changes from the prior period in the method used for developing estimates are appropriate in the circumstances.

.65 When responding to an assessed risk of material misstatement related to an estimate, the practitioner should undertake one or more of the following, considering 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 is relevant and reliable in the circumstances.

c. 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.

d. Test the operating effectiveness of the controls over how the responsible party developed the estimate, together with other appropriate further procedures.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations

.66 If the practitioner becomes aware of information concerning fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations,[41] the practitioner should obtain

[41] The "Responding to Noncompliance With Laws and Regulations" interpretation (ET sec. 1.180.010) under the "Integrity and Objectivity Rule" (ET sec. 1.100.001) in the AICPA Code of Professional Conduct establishes responsibilities beyond those in the attestation standards when encountering instances of noncompliance or suspected noncompliance with laws or regulations. All ET sections can be found in AICPA *Professional Standards*.

a. an understanding of the nature of the act and the circumstances in which it has occurred; and

b. further information to evaluate the possible effect on the subject matter.

.67 If the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the practitioner should discuss these matters with the appropriate party. (Ref: par. .A112)

.68 The practitioner should consider the implications of identified fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations in relation to other aspects of the examination engagement, including the practitioner's planning, risk assessment, and the reliability of written representations, and take appropriate action. (Ref: par. .A113–.A116)

.69 If the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the practitioner should determine whether the practitioner has a responsibility to report the occurrence or suspicion to a party outside the appropriate party. Although the practitioner's professional duty to maintain the confidentiality of client information may preclude such reporting, the practitioner's legal responsibilities may override the duty of confidentiality in some circumstances. (Ref: par. .A117–.A118)

.70 In the event the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations in connection with the examination engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct (AICPA code) and applicable law prior to communicating such information either to the responsible party or the engaging party.

Revising the Risk Assessment

.71 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. .A119–.A120)

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements

.72 The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. .A121–.A122)

.73 If the practitioner identifies a misstatement, the practitioner should evaluate whether such a misstatement is indicative of fraud. If such an indication exists, the practitioner should respond appropriately. (Ref: par. .A123–.A124)

Consideration of Identified Misstatements as the Engagement Progresses

.74 The practitioner should determine whether the overall engagement strategy and engagement plan need to be revised if the

a. nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or

b. misstatements accumulated during the engagement may, in the aggregate, result in the subject matter or assertion being materially misstated.

Communicating and Correcting Misstatements

.75 The practitioner should communicate on a timely basis to the responsible party all misstatements accumulated during the engagement. (Ref: par. .A125–.A126)

.76 If, at the practitioner's request, the responsible party has corrected misstatements that were detected, the practitioner should perform additional procedures with respect to the results of the work performed by the responsible party to determine whether material misstatements remain.

.77 If the responsible party does not correct some or all of the misstatements requested to be corrected by the practitioner, the practitioner should obtain an understanding of the responsible party's reasons for not making the corrections and should consider that understanding when forming the practitioner's opinion. (Ref: par. .A127)

Determining Whether Uncorrected Misstatements Are Material

.78 The practitioner should determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the practitioner should consider the size and nature of the misstatements, and the particular circumstances of their occurrence.

Evaluating the Description of Criteria

.79 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A128–.A129)

Subsequent Events and Subsequently Discovered Facts

.80 The practitioner should (Ref: par. .A130–.A133) *a.* 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.

b. based on the results of the inquiry of the responsible party, and if different, the engaging party, in accordance with item (*a*), perform other procedures, if necessary, to identify events occurring up to the date of the practitioner's report that may have a significant effect on the subject matter or assertion and the practitioner's report.

c. if an event is identified as a result of the procedures performed pursuant to items (*a*) and (*b*),

i. determine whether such events are appropriately reflected in the subject matter or assertion; and

ii. if such events are not appropriately reflected by the responsible party in the subject matter or in its assertion, take appropriate action.

.81 The practitioner is not required to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. However, if a subsequently discovered fact becomes known to the practitioner, the practitioner should (Ref: par. .A134–.A135)

a. discuss the matter with the responsible party and, if different, the engaging party, if appropriate; and

b. determine whether the subject matter or assertion needs revision and, if so, inquire how the responsible party intends to address the matter in the subject matter or assertion.

.82 If the responsible party revises the subject matter or assertion because of a subsequently discovered fact, the practitioner should

a. perform the procedures necessary in the circumstances on the revision.

b. consider the effect, if any, on the practitioner's report, including whether to

i. date the practitioner's report as of a later date; extend the procedures referred to in paragraph .80 to the new date of the practitioner's report on the revised subject matter or assertion; and request written representations from the responsible party and, if different, the engaging party as of the new date of the practitioner's report, in accordance with paragraphs .85–.92; or

ii. include an additional date in the practitioner's report on the revised subject matter or assertion that is limited to the revision (that is, dual-date the practitioner's report for that revision), thereby indicating that the practitioner's procedures subsequent to the original date of the practitioner's report are limited solely to the revision of the subject matter or assertion disclosed in the subject matter or assertion. In this circumstance, the practitioner should request written representations from the responsible party and, if different, the engaging party as of the additional date in the practitioner's report about whether

1. any information has come to the responsible party's attention that would cause the responsible party to believe that any of the previous representations should be modified.

2. any other events have occurred subsequent to the date of the subject matter or assertion that would require adjustment to, or disclosure in, the subject matter or assertion.

c. if the practitioner's report (before revision) has been made available to third parties, assess whether the steps taken by the appropriate party are timely and appropriate to ensure that anyone in receipt of that practitioner's report is informed of the situation, including that the practitioner's report is not to be relied upon. If the responsible party does not take the necessary steps, the practitioner should apply paragraph .84.

d. if the practitioner's report has already been released and the practitioner's opinion on the revised subject matter or assertion differs from the opinion the practitioner previously expressed, disclose the following matters in a separate paragraph of the practitioner's report:

i. The date of the practitioner's previous report
ii. The type of opinion previously expressed
iii. The substantive reasons for the different opinion
iv. That the practitioner's opinion on the revised subject matter or assertion is different from the practitioner's previous opinion

.83 If the responsible party does not revise the subject matter or assertion in circumstances in which the practitioner believes it needs to be revised, then

a. if the subject matter or assertion has not been made available to third parties, the practitioner should notify the appropriate party not to make the subject matter or assertion available to third parties before the necessary revisions have been made and a new practitioner's report on the revised subject matter or assertion has been provided. If the subject matter or assertion is, nevertheless, subsequently made available to third parties without the necessary revisions, the practitioner should apply the requirements of item (*b*).

b. if the subject matter or assertion has been made available to third parties, the practitioner should assess whether the steps taken by the responsible party are timely and appropriate to ensure that anyone in receipt of the subject matter or assertion is informed of the situation, including that the subject matter or assertion is not to be relied upon. If the responsible party does not take the necessary steps, the practitioner should apply the requirements of paragraph .84.

.84 If the appropriate party does not take the steps the practitioner believes are necessary to ensure that anyone in receipt of the subject matter or assertion and the practitioner's report is informed of the situation, the practitioner should seek to prevent further reliance on the practitioner's report after informing the appropriate party of the intent to do so.

Written Representations

.85 The practitioner should request written representations from the responsible party in the form of a representation letter addressed to the practitioner. The representations should (Ref: par. .A136–.A140)

a. include the responsible party's assertion about the subject matter based on the criteria. (Ref: par. .A186)

b. state that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.

c. acknowledge responsibility for (Ref: par. .A141)

   i. the subject matter and the responsible party's assertion;

   ii. selecting the criteria, when applicable; and

   iii. determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

d. state that it has provided the practitioner with all relevant information and access.

e. 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.

f. 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; and

   ii. its knowledge of any fraud or suspected fraud, including allegations of fraud, or instances of noncompliance or suspected noncompliance with laws or regulations affecting the subject matter.

g. state that any known events occurring subsequent to the period (or point in time) of the subject matter or assertion being reported on that could have a significant effect on the subject matter or assertion have been appropriately reflected in the subject matter or assertion.

h. state whether the responsible party believes the effects of uncorrected misstatements, if any, are immaterial, individually and in the aggregate, to the subject matter. A summary of such items should be included in, or attached to, the written representations.

i. state whether the responsible party believes that significant assumptions, if any, used in making any estimates are appropriate.

.86 When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .85 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .85. (Ref: par. .A142)

.87 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should do the following:

a. Acknowledge that the responsible party is responsible for the subject matter being in accordance with (or based on) the criteria and for its assertion.

b. Acknowledge the engaging party's responsibility for selecting the criteria.

c. Acknowledge the engaging party's responsibility for determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

d. State that the engaging party is not aware of any material misstatements in the subject matter information or assertion.

e. State that the engaging party has disclosed to the practitioner any known events occurring subsequent to the period (or point in time) of the subject matter being reported on that could have a significant effect on the subject matter or assertion. (Ref: par. .A138)

.88 If, in addition to the representations required by paragraph .85 or .87, the practitioner determines that it is necessary to obtain one or more written representations to support other evidence relevant to the subject matter or assertion, the practitioner should request such other written representations. (Ref: par. .A143)

.89 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.

.90 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 report.

Requested Representations Not Provided or Not Reliable

.91 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. .A144–.A146)

a. discuss the matter with the appropriate party.

b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.

c. if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the practitioner's report.

.92 When the engaging party is not the responsible party, (Ref: par. .A147–.A148)

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 .86 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 .104–.106 contain requirements for the contents of such a paragraph.)

b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .86, a scope limitation exists, and the practitioner should determine the effect on the report in accordance with paragraph .100, or the practitioner should withdraw from the engagement.

Forming the Opinion

Evaluating the Evidence Obtained

.93 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.

.94 In making the evaluation in accordance with paragraph .93, the practitioner should consider all relevant evidence, including evidence that is consistent or inconsistent with other evidence and regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A149–.A153)

.95 The practitioner should evaluate whether judgments and decisions made by the responsible party regarding estimates and corresponding assumptions used in preparing the subject matter information indicate possible bias, even if they are individually reasonable. When indicators of possible bias are identified, the practitioner should evaluate the implications for the examination engagement. Where there is intention to mislead, bias is fraudulent in nature. (Ref: par. .A154)

Concluding

.96 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.

.97 In forming the opinion in accordance with paragraph .96, the practitioner should consider the

a. practitioner's evaluation in accordance with paragraph .93 regarding the sufficiency and appropriateness of evidence obtained; and (Ref: par. .A155)

b. determination in accordance with paragraph .78 of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A156)

.98 The practitioner should evaluate, based on the evidence obtained, whether the overall presentation and content of the subject matter information or assertion is misleading within the context of the engagement. (Ref: par. .A157–.A158)

.99 If the practitioner concludes that the overall presentation or content of the subject matter information or assertion is misleading within the context of the engagement, the practitioner should discuss the matter with the responsible party and, if appropriate, the engaging party and, depending on the requirements of the criteria and how the matter is resolved, should determine whether it is necessary to modify the opinion in the practitioner's report in accordance with paragraphs .112–.124.

Scope Limitation

.100 If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the practitioner should apply the requirements in paragraph .112*a* when the practitioner is determining the type of opinion to be issued.

Preparing the Practitioner's Report

.101 The practitioner's report should be in writing. (Ref: par. .A159–.A162)

Content of the Practitioner's Report

.102 The practitioner's report should include the following:

a. A title that includes the word *independent*. (Ref: par. .A163)

b. An appropriate addressee based on 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. .A164)

e. A statement that identifies the responsible party and its responsibility for the subject matter being in accordance with the criteria or for its assertion. (Ref: par. .A165–.A166)

f. A statement that the practitioner's responsibility is to express an opinion on the subject matter or assertion based on the practitioner's examination. (Ref: par. .A165 and .A167)

g. A statement that

  i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA. (Ref: par. .A168)

  ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether (Ref: par. .A169)

    1. the subject matter is in accordance with the criteria, in all material respects (or equivalent language regarding the subject matter and criteria), 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 basis for the practitioner's opinion.

h. A description of the nature of an examination engagement. (Ref: par. .A170–.A171)

i. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with the relevant ethical requirements relating to the practitioner's examination. (Ref: par. .A172–.A173)

j. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A174)

k. The practitioner's opinion about whether (Ref: par. .A175–.A178)

  i. the subject matter is in accordance with the criteria, in all material respects, or

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

l. The manual or printed signature of the practitioner's firm.

m. The city and state where the practitioner's report is issued. (Ref: par. .A179)

n. The date of the report.

Dating the Practitioner's Report

.103 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 (Ref: par. .A180–.A181)

a. the attestation documentation has been reviewed;
b. if applicable, the written presentation of the subject matter has been prepared; and
c. the responsible party has provided a written assertion or, in the circumstances described in paragraph .A148, an oral assertion.

Restricted-Use Paragraph

.104 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. .A182–.A185)

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 .85 but does provide oral responses to the practitioner's inquiries about the matters in paragraph .85, as provided for in paragraphs .86 and .92*a*. In this case, the use of the practitioner's report should be restricted to the engaging party. (Ref: par. .A186)

.105 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. .A187)

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A188–.A190)

.106 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 .107:

a. A description of the purpose of the report

b. A statement that the report is not suitable for any other purpose

Reporting on a Written Assertion or the Subject Matter

.107 A practitioner should report on a written assertion or directly on the subject matter. If the opinion is modified because of a material misstatement, the practitioner should report directly on the subject matter, even when the assertion acknowledges the misstatement.

.108 If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report.

Reference to a Practitioner's Specialist

.109 The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified opinion. (Ref: par. .A191)

Engagements Conducted in Accordance With Both the Attestation Standards and Another Set of Standards

.110 Paragraph .102*g*i requires that the practitioner's report state that the engagement was conducted in accordance with attestation standards established by the AICPA. However, a practitioner may indicate that the engagement was also conducted in accordance with another set of standards. The practitioner should not refer to having conducted an engagement in accordance with another set of standards in addition to attestation standards established by the AICPA unless the engagement was conducted in accordance with both sets of standards in their entirety. (Ref: par. .A192)

.111 When the practitioner's report refers to attestation standards established by the AICPA and also refers to another set of standards, the practitioner's report should identify the other set of standards. (Ref: par. .A193–.A194)

Modifications to the Practitioner's Report

.112 The practitioner should either modify the opinion or withdraw from the engagement when practicable when the following circumstances exist and, in the practitioner's professional judgment, the effect of the matter is or may be material: (Ref: par. .A195–.A199)

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.

.113 When the practitioner modifies the opinion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the nature of the matter giving rise to the modification, and if practicable, includes the effects on the subject matter.

.114 The practitioner should express a qualified opinion when either of the following applies: (Ref: par. .A200–.A204)

a. The practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the subject matter.

b. The practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive.

.115 When the practitioner expresses a qualified opinion due to a material misstatement of the subject matter, the practitioner should indicate that, in the practitioner's opinion, except for the effects of the matter (or matters) giving rise to the qualification, the subject matter is in accordance with the criteria, in all material respects. When the qualification arises from an inability to obtain sufficient appropriate evidence, the practitioner should use the corresponding phrase "except for the possible effects of the matter (or matters) ..." for the qualified opinion.

.116 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.

.117 When the practitioner expresses an adverse opinion, the practitioner should indicate that, in the practitioner's opinion, because of the significance of the matter or matters giving rise to the adverse opinion, the subject matter is not in accordance with the criteria, in all material respects.

.118 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.

.119 The practitioner's opinion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that opinion.

.120 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.

.121 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. .A205)

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

.123 When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner's report should be amended to

a. indicate that because of the significance of the matter (or matters) giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for an examination opinion and, accordingly, the practitioner does not express an opinion on the subject matter.

b. indicate that the practitioner was engaged to examine the subject matter or the responsible party's assertion.

c. replace the elements required by items (*f*)–(*g*) of paragraph .102 with the following:

Our responsibility is to express an opinion on [*the subject matter or the responsible party's assertion*] based on conducting the examination in accordance with attestation standards established by the AICPA. Because of the limitation on the scope of our examination discussed in [*the separate paragraph that describes the nature of the matter or matters giving rise to the modification*], 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 the criteria, in all material respects, or the responsible party's assertion is fairly stated*].

.124 When the practitioner expresses a qualified or an adverse opinion, the practitioner should amend the description of the practitioner's responsibility to indicate that the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's qualified or adverse opinion.

Responsible Party Refuses to Provide a Written Assertion

.125 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 practicable.

.126 If the practitioner determines it is not practicable to withdraw from the engagement, the practitioner should disclaim an opinion.

.127 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. .A206–.A208)

Other Information

Agreeing on the Scope and Timing of the Other Information

.128 When the appropriate party has communicated to the practitioner that the appropriate party intends to include the information subjected to the examination and the practitioner's report thereon in one or more documents that contain other information, the practitioner should (Ref: par. .A2, .A209, and .A217)

a. discuss the purpose, planned manner, and timing of the issuance of such documents.

b. determine whether the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents. If the practitioner is not willing to permit the inclusion of the practitioner's report in such document or documents, the practitioner has no further responsibilities with respect to other information. (Ref: par. .A9 and .A210)

c. if the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents, make arrangements with the appropriate party to obtain in a timely manner and, if possible, prior to the date of the practitioner's report, the final version of the other information prior to issuance of the document or documents. (Ref: par. .A211)

Reading the Other Information

.129 The practitioner should read the other information and

a. consider whether a material inconsistency exists between the other information and the subject matter, assertion, or the report. (Ref: par. .A212)

b. remain alert for indications that a material misstatement of fact exists in the other information, the subject matter, assertion, or report, or the other information is otherwise misleading. (Ref: par. .A213–.A215)

.130 The practitioner is not responsible for searching for omitted information or for the completeness of the other information.

Responding to Matters Related to the Other Information

.131 If, in the practitioner's professional judgment, a material inconsistency exists between the other information and the subject matter, assertion, or report; a material misstatement of fact exists in the other information; or the other information is otherwise misleading, the practitioner should discuss the matter with the appropriate party and take further action as appropriate. (Ref: par. .A216–.A217)

.132 When, as a result of reading other information obtained after the date of the practitioner's report on the subject matter or assertion, the practitioner becomes aware that the report on the subject matter or assertion is inappropriate as a result of a material inconsistency with other information, the practitioner should apply paragraphs .81–.84.

.133 If the practitioner becomes aware that the appropriate party did not provide the practitioner with the final version of the other information determined in accordance with paragraph .128*c* prior to the issuance of the document or documents that include the other information to third parties, the practitioner should take appropriate action.

Communication Responsibilities

.134 The practitioner should communicate to the responsible party on a timely basis during the engagement matters concerning the examination engagement that, in the practitioner's professional judgment, are of significant importance to merit the attention of the responsible party, including 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. .A218)

Application and Other Explanatory Material

Definitions

Management's Specialist (Ref: par. .04)

.A1 Management's specialist may be internal or external to the responsible party. Management responsible for the subject matter or a service provider performing activities typically performed by management are not management's specialists.

Other Information (Ref: par. .04 and .128)

.A2 Whether something that contains both the subject matter information and information that is not subject to the engagement is considered a "document" for purposes of identifying other information is a matter of professional judgment. For example, other information does not include information contained on the appropriate party's website. Websites are a means of distributing information and are not, themselves, documents.

Conduct of an Examination Engagement (Ref: par. .05)

.A3 For example, if a practitioner were examining prospective financial information, proposed AT-C section 105, this section of this proposed SSAE, and AT-C section 305, *Prospective Financial Information*, would be relevant.

Terms of the Examination Engagement

Agreeing the Terms of the Examination Engagement (Ref: par. .07–.08 and .128**b*****)***

.A4 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.

.A5 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

.A6 The responsibilities of the responsible party in the engagement letter or other suitable form of written representation may include the responsibility for

- identifying, selecting, or developing suitable criteria.
- the preparation, evaluation, or measurement of the subject matter in accordance with (or based on) the criteria.
- providing access to all information of which the responsible party is aware that is relevant to the preparation, evaluation, or measurement of the subject matter in accordance with (or based on) the criteria.

.A7 Situations may exist in which the responsible party is not the engaging party, and as such, the responsibilities of each party may differ. For example, when the responsible party is not the engaging party, the engaging party, rather than the responsible party, may be responsible for identifying, selecting, or developing suitable criteria.

.A8 The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. Regardless of whether the practitioner recommends, develops, or assists in developing or selecting the criteria for the engagement, the engaging party is required to take responsibility for the criteria.

.A9 The agreed-upon terms of the engagement may include an acknowledgment that the engaging party, prior to inclusion of the practitioner's report in a document or documents containing the subject matter or assertion and other information, agrees to ask whether the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents.

.A10 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."

.A11 An example of how the agreed-upon terms of the engagement may reference the expected form and content of any reports to be issued by the practitioner and a statement that circumstances may arise in which a report may differ from its expected form and content is as follows:

> We will issue a written report upon completion of our examination engagement. Circumstances may arise in which our report may differ from its expected form and content based on the results of our examination engagement. Depending on the nature of those circumstances, it may be necessary for us to modify our opinion or, if necessary, withdraw from the engagement.

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

.A12 What constitutes a reasonable basis for the responsible party's assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the responsible party with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the responsible party's own processes to have a reasonable basis for its assertion.

.A13 The language of the responsible party's written assertion in paragraph .10 may need to be tailored to reflect the nature of the underlying subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .10 include the following:

- The subject matter is presented in accordance with 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.

.A14 Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner's report. Such persons may contend that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons' responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to request a written assertion from the responsible party that covers the entire relevant period or periods still applies.

.A15 Paragraph .85*a* requires the practitioner to request a written representation from the responsible party that is the same as the responsible party's assertion. If the responsible party provides the practitioner with the written representation in paragraph .85*a*, the practitioner need not request a separate written assertion unless a separate written assertion is called for by the engagement circumstances.

.A16 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.

.A17 Regardless of the procedures performed by the practitioner, the responsible party is required to accept responsibility for its assertion and the subject matter. An assertion based solely on the practitioner's procedures would not be considered a reasonable basis for the assertion.[42]

Engagement-Level Quality Management

Engagement Resources

Using the Work of a Practitioner's Specialist

The Competence and Capabilities of a Practitioner's Internal Specialist (Ref: par. .11*a*)

.A18 A practitioner's internal specialist is part of the engagement team.[43] As such, the internal specialist's objectivity would be part of the relevant ethical requirements with which all engagement team members are required to comply, and the engagement partner has certain responsibilities.[44]

The Competence, Capabilities, and Objectivity of a Practitioner's Specialist (Ref: par. .11*a* and .11*b*)

.A19 Information regarding the competence, capabilities, and objectivity of a practitioner's specialist may come from a variety of sources, such as the following:

- Personal experience with previous work of that specialist
- Discussions with that specialist
- Discussions with other practitioners or others who are familiar with that specialist's work
- Knowledge of that specialist's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition
- Published papers or books written by that specialist
- The firm's quality management policies and procedures

.A20 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.

.A21 The evaluation of the significance of threats to objectivity and whether there is a need for safeguards may depend on the role of the practitioner's specialist and the significance of the

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[42] 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.
[43] *Engagement team* is defined in paragraph .11 of proposed AT-C section 105.
[44] Paragraphs .55–.60 of proposed AT-C section 105.

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.

.A22 When evaluating the objectivity of a practitioner's external specialist, it may be relevant to

- inquire of the appropriate party about any known interests or relationships that the appropriate party has with the practitioner's external specialist that may affect that specialist's objectivity.
- discuss with that specialist any applicable safeguards, including any professional requirements that apply to that specialist, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the practitioner's specialist include
  - — financial interests.
  - — business and personal relationships.
  - — provision of other services by the specialist, including by the organization in the case of an external specialist that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external specialist about any interests or relationships with the appropriate party of which that specialist is aware.

Obtaining an Understanding of the Field of Expertise of a Practitioner's Specialist (Ref: par. .11*c*)

.A23 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. .11*d*)

.A24 The matters noted in paragraph .13 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. The following factors may suggest the need for a more detailed agreement than would otherwise be the case or for the agreement to be in writing:

- The practitioner's specialist will have access to sensitive or confidential information of the responsible party.
- The respective roles or responsibilities of the practitioner and the practitioner's specialist are different from those normally expected.
- Multijurisdictional legal or regulatory requirements apply.
- The matter to which the work of the practitioner's specialist relates is highly complex.
- The practitioner has not previously used work performed by the practitioner's specialist.
- The practitioner's use of the work of the practitioner's specialist and its significance in the context of the examination engagement is extensive.

Integrating the Work of a Practitioner's Specialist (Ref: par. .13*a*)

.A25 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.

.A26 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 .11 at the engagement acceptance or continuance stage. In particular, this is appropriate when the work of the practitioner's specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment.

Firm's System of Quality Management (Ref: par. .13*e*)

.A27 Engagement teams are entitled to rely on their own firm's system of quality management, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner's procedures with respect to matters such as the following:

- The practitioner's determination of the competence of the practitioner's internal specialist (For example, the competence of the practitioner's internal specialist includes an awareness of and compliance with 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 specialist with an appropriate understanding of the interrelationship of the specialist's 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 specialist, 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 of this proposed SSAE.

Using Internal Auditors to Provide Direct Assistance (Ref: par. .18 and .31)

.A28 Because the practitioner has sole responsibility for the opinion expressed, the evaluation of the use of internal auditors to provide direct assistance and the use of the work of the internal audit function is performed in the aggregate. If the practitioner plans to use the work of the internal audit function in obtaining evidence and also plans to use internal auditors to provide direct assistance, only one evaluation would be necessary to address the requirements of paragraphs .18 and .31.

Planning

Planning Activities (Ref: par. .19, .20*d*, and .22)

.A29 Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists in developing

- an overall strategy for the scope, timing, and conduct of the engagement and
- an engagement plan, consisting of a detailed approach for the nature, timing, and extent of procedures to be performed.

Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner.

Adequate planning also assists the practitioner in properly assigning work to engagement team members, including participating practitioners and practitioner's internal specialists, and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by others, such as referred-to practitioners and practitioner's external specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

- The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the subject matter, and the criteria
- The expected timing and the nature of the communications required
- The engagement process, including possible sources of evidence, and choices among alternative measurement or evaluation methods
- The practitioner's understanding of the appropriate party and its environment, including the risks that the subject matter or assertion may be materially misstated
- Identification of intended users and their information needs and consideration of materiality and the components of attestation risk
- The risk of fraud and noncompliance with laws or regulations relevant to the engagement
- The effect on the engagement of using the internal audit function

.A30 The practitioner may decide to discuss elements of planning with the appropriate party to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

.A31 Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. Because of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures.

.A32 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.

.A33 Paragraph .45 of proposed AT-C section 105 applies when the practitioner expects to use the work of a participating practitioner and paragraph .67 of proposed AT-C section 105 applies when the practitioner intends to make reference to the report of a referred-to practitioner.

.A34 The involvement of the engagement partner and other key members of the engagement team in planning the engagement draws on their experience and insight, thereby enhancing the effectiveness and efficiency of the planning process. The engagement partner may delegate portions of the planning and supervision of the engagement to other firm personnel.

Materiality (Ref: par. .23)

.A35 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.

.A36 Professional judgments about materiality are made considering surrounding circumstances, but they are not affected by the level of assurance; that is, for the same intended users, materiality for an examination engagement is the same as it is for a review engagement because materiality is based on the information needs of intended users and not the level of assurance.

.A37 In general, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by intended users based on the subject matter. The practitioner's consideration of materiality is a matter of professional judgment and is affected by the practitioner's perception of the common information needs of intended users as a group. For purposes of determining materiality, the practitioner may assume that intended users

- *a.* have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.
- *b.* understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that users 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.

.A38 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

.A39 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 engagement involves the effectiveness of the control.

.A40 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.

.A41 The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter information 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 .A36–.A40. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

.A42 The aggregate of uncorrected and undetected misstatements may exceed materiality. To address that aggregation risk when performing the engagement, the practitioner may consider whether it is appropriate to determine performance materiality.

Evidence

Evaluating Information to Be Used as Evidence (Ref: par. .25-.26)

.A43 Reliable information is sufficiently accurate and complete.

.A44 The practitioner's evaluation of information to be used as evidence is not a formulaic exercise. The nature of the procedures that the practitioner performs is a matter of professional judgment and may depend on the form and source of the information to be used as evidence.

.A45 Circumstances may arise in which an other individual, including an other practitioner who is not a participating practitioner or a referred-to practitioner, may perform work on information that is used by the practitioner as evidence. For example, a service auditor may issue a report on a service organization's controls that is considered by the practitioner. The work of these individuals would ordinarily be considered an information source in accordance with QM section 10, *A Firm's System of Quality Management*.[45] Obtaining and reading the information that has been reported on by an other individual and the accompanying report may be sufficient for the purpose of taking into account the relevance and reliability of the information in accordance with paragraph .25*a*.

.A46 The source of the information to be used as evidence often affects the consideration of its relevance and reliability. Information to be used as evidence may be obtained directly or derived individually or in combination from different sources, including the following:

a. Management. Management or functions within the responsible party may provide the practitioner with information, for example, information prepared using the work of a management's specialist or using the work of the internal audit function in obtaining evidence.

b. External information sources and other external parties. Management or the practitioner may use information obtained from external information sources and other external parties, for example, information reported on by an other individual who is not a participating practitioner or a referred-to practitioner.

c. Practitioner. The practitioner may develop information to be used as evidence by leveraging engagement resources. For example, the practitioner may accumulate and analyze industry trends to be used in an attestation engagement in that industry. The practitioner may also, when developing evidence, employ or engage a practitioner's specialist to assist the practitioner or use an internal auditor to provide direct assistance.

.A47 Evaluating information to be used as evidence involves taking into account information that corroborates or contradicts the measurement or evaluation of the subject matter against the criteria.

.A48 Contradictory information may be relevant even when the source of that information is less reliable than the source of corroborative information.

[45] All QM sections can be found in AICPA *Professional Standards*.

.A49 Contradictory information is not considered in isolation. Professional skepticism and judgment are necessary to evaluate the persuasiveness of the evidence taken as a whole, rather than focusing on an individual piece of evidence.

.A50 Obtaining evidence about the accuracy and completeness of information 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.

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

The Competence, Capabilities, and Objectivity of a Management's Specialist (Ref: par. .27*a*)

.A51 Information regarding the competence, capabilities, and objectivity of a management'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 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
- A practitioner's specialist, if any, that assists the practitioner in obtaining sufficient appropriate evidence with respect to information produced by the management's specialist

.A52 Although safeguards cannot eliminate all threats to the objectivity of a management's specialist, threats such as intimidation threats may be of less significance to a specialist engaged by the entity than to a specialist employed by the entity, and the effectiveness of safeguards such as quality control policies and procedures may be greater. Because the threat to objectivity created by being an employee of the entity will always be present, a specialist employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity.

.A53 When evaluating the objectivity of a specialist engaged by the entity, it may be relevant to discuss with management and that specialist any interests and relationships that may create threats to the specialist's objectivity and any applicable safeguards, including any professional requirements that apply to the specialist, and to evaluate whether the safeguards are adequate. Interests and relationships creating threats may include the following:

- Financial interests

- Business and personal relationships between the entity and the individual specialist and between the entity and the organization that employs the individual specialist
- Provision of other services

Obtaining an Understanding of the Work of the Specialist (Ref: par. .27*b*)

.A54 Aspects of the field of the management's specialist relevant to the practitioner's understanding may include

- 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.
- the assumptions and methods used by the management's specialist and whether they are generally accepted within that specialist's field and appropriately applied under the criteria.
- the nature of internal and external data or information the management's specialist uses.

.A55 In the case of a management's specialist engaged by the entity, there will ordinarily be an engagement letter or other written form of agreement between the entity and that specialist. Evaluating that agreement when obtaining an understanding of the work of the management's specialist may assist the practitioner in determining for the practitioner's purposes the appropriateness of

- the nature, scope, and objectives of that specialist's work;
- the respective roles and responsibilities of management and that specialist; and
- the nature, timing, and extent of communication between management and that specialist, including the form of any report to be provided by that specialist.

.A56 In the case of a management's specialist employed by the entity, it is less likely that there will be a written agreement. Inquiry of the specialist and other members of management may be the most appropriate way for the practitioner to obtain the necessary understanding.

.A57 Obtaining an understanding of the work of a management's specialist includes obtaining an understanding about how the information prepared by that specialist has been used by management in the preparation of subject matter information and may include understanding

- how management has considered the appropriateness of the information prepared by the management's specialist; and

- the modifications made by management to the information prepared by the management's specialist.

.A58 The understanding described in paragraph .A57 may assist the practitioner in

- evaluating the relevance and reliability of the information intended to be used as evidence in accordance with paragraph .25*a*; and
- understanding whether the specialist's findings or conclusions have been appropriately reflected in the subject matter. For example, in some circumstances, management may need to modify the information prepared by the management's specialist, such as when the information provided is too general and requires adjustment to reflect the circumstances unique to the responsible party. Management's adjustments may give rise to bias, or management may not have the appropriate competence and capabilities to adapt or adjust the information, which may cause the information to be inaccurate, incomplete, or lack credibility.

Evaluating the Appropriateness of the Specialist's Work for the Practitioner's Purposes (Ref: par. .27*c*)

.A59 Considerations when evaluating the appropriateness of the management's specialist's work for the practitioner's purposes may include

- the relevance and reasonableness of that specialist's findings or conclusions, their consistency with other evidence, and whether they have been appropriately reflected in the subject matter.
- if that specialist's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods.
- if that specialist's work involves significant use of internal or external data, the relevance and reliability of that data.

Using the Work of the Internal Audit Function (Ref: par. .28)

.A60 Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it is performed by the entity or a third-party service provider are sole determinants of whether the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section of this proposed SSAE to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.

.A61 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.

.A62 The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner's use of the work of the internal audit function in obtaining evidence. The objectivity and competence of internal auditors are important in determining whether to use their work and, if the practitioner decides to use their work, the nature and extent of the use of their work. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for a low degree of objectivity. Additionally, neither a high level of competence nor strong support for the objectivity of the internal auditors compensates for the lack of a systematic and disciplined approach when using the work of the internal audit function.

Using Information Reported on by an Other Individual (Ref: par. .32)

.A63 It is a matter of professional judgment, particularly in view of the assessed risks of material misstatement of the subject matter information of the practitioner's examination engagement, whether information to be used as evidence that was reported by an other individual, including the accompanying other individual's report, is adequate for the practitioner's purposes. In making this determination, the practitioner may consider the following:

- The professional competence and independence of the other individual
- The adequacy of the standards under which the other individual's report was issued

.A64 To evaluate the information reported on by the other individual to be used as evidence, the practitioner obtains and reads the information that was reported on, including the other individual's report. The practitioner may also perform additional procedures such as the following:

- Evaluating information regarding the professional reputation and standing of the other individual
- Interacting with the other individual
- Discussing the procedures performed by the other individual and the results thereof
- Reviewing the engagement plan and documentation of work performed by the other individual
- Making inquiries of the responsible party about the subject matter information reported on by the other individual

Inconsistencies in, or Doubts About the Reliability of, Evidence (Ref: par. .34)

.A65 When evidence is inconsistent with other evidence, it may indicate that some of the information used as evidence is not reliable. This may be the case, for example, when responses to inquiries of the responsible party, the engaging party, or others are inconsistent. Such inconsistencies may therefore call into question the appropriateness of the practitioner's evaluation of the relevance and reliability of such information, in accordance with paragraph .25*a*. The extent to which the practitioner may need to modify or add to the procedures to resolve the doubts and the effect on other aspects of the engagement may vary.

.A66 When performing a procedure, the practitioner may identify items that are inconsistent with the practitioner's expectations or that exhibit characteristics that are unusual. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of interest. These items may indicate a possible misstatement in the subject matter. They may also indicate inconsistencies in evidence, particularly when other evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of the information.

Risk Assessment Procedures

Understanding the Subject Matter and Other Engagement Circumstances (Ref: par. .37)

.A67 Risk assessment procedures a practitioner may perform include the following:

a. Inquiries of individuals within the responsible party, including individuals within the internal audit function (if the function exists)

b. Analytical procedures

c. Observation and inspection

.A68 Engagement circumstances may be such that obtaining an understanding of the subject matter includes obtaining an understanding of the legal and regulatory framework applicable to the entity and the industry in which the entity operates and how the entity is complying with that framework.

.A69 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 practitioner's 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.

.A70 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

*Appropriate Level at Which to Assess Risks (Ref: par. .35*a*, .44, and .46, and .49)*

.A71 The appropriate level at which to assess risks is based on the practitioner's professional judgment and will vary based on the subject matter of the examination engagement. For many subject matters, for example, sustainability matters or pro forma financial information, the appropriate level at which to assess risks is at the level implicit in the measurement or evaluation of certain underlying subject matter against the criteria. For such subject matter, implicit characteristics may include, but are not limited to,

- existence;
- rights and obligations;
- completeness;
- accuracy, valuation, and allocation;
- classification; and
- presentation.

However, for certain other subject matters, the preceding characteristics may not be relevant to the practitioner's risk assessment. For example, if the subject matter is operating effectiveness of internal controls, the appropriate level at which to assess the risk associated with the control is based on the underlying objective of the subject matter. If the subject matter is compliance, the appropriate level at which to assess risk of material noncompliance may be at the individual specified requirement level, or for each relevant portion thereof, depending on the nature of the specified requirement.

Understanding of Internal Control Over the Preparation, Measurement, or Evaluation of the Subject Matter Relevant to the Engagement (Ref: par. .36)

.A72 In obtaining an understanding of internal control over the preparation, measurement, or evaluation of the subject matter information relevant to the engagement, the practitioner may consider it necessary to obtain an understanding of the processes and internal control over identifying, measuring, capturing, aggregating, retaining, monitoring, and reporting the subject matter information.

.A73 Relevant matters to understand regarding internal control may include the following components of the entity's internal control relevant to the subject matter information:

a. The control environment

b. The entity's risk assessment process related to gathering, processing, retaining, and reporting of the subject matter information

c. Control activities relevant to the engagement

d. The information system, including the related business processes, and communication of reporting roles and responsibilities and significant matters related to the reporting of the subject matter information

e. Monitoring activities

.A74 Based on the practitioner's understanding of the components of the entity's system of internal control, the practitioner may consider whether one or more control deficiencies have been identified

.A75 The practitioner's understanding of relevant components of internal control might raise doubts in certain cases about whether the practitioner will be able to obtain sufficient appropriate evidence to complete the engagement. For example, an understanding of an entity's internal control might raise concerns about the condition and reliability of the entity's records or cause the practitioner to question the reliability of management representations.

Engagement Team Discussion (Ref: par. .37)

.A76 In addition to, or as part of, the discussion, pursuant to paragraph .37, the engagement partner may discuss such matters with any key practitioner's external specialists.

.A77 Discussions between the engagement partner and other key members of the engagement team and, if applicable, any key practitioner's external specialists may

- provide an opportunity for more experienced engagement team members, including the engagement partner, to share their insights based on their knowledge of the entity. Sharing information contributes to an enhanced understanding by all engagement team members.

- allow the engagement team members to exchange information about how and where the subject matter might be susceptible to material misstatement due to fraud or error.

- assist the engagement team in planning and performing the engagement.

.A78 When the engagement is carried out by a single individual, such as a sole practitioner, consideration of the matters referred to in paragraph .37 nonetheless may assist the practitioner in identifying and assessing risks of material misstatement.

Understanding the Entity's Reporting Policies (Ref: par. .39)

.A79 Reporting policies are the bases, conventions, rules, and practices applied by an entity in preparing and presenting the subject matter information. The entity's reporting policies are not criteria by themselves but assist the entity in complying with the applicable criteria. For example, reporting policies are expected to be common in sustainability engagements performed in accordance with proposed AT-C sections 325, *Reporting on an Examination of Sustainability Information,* and 330, *Reporting on a Review of Sustainability Information*.

Fraud or Noncompliance With Laws or Regulations Affecting the Subject Matter (Ref: par. .40–.42)

.A80 The practitioner may identify fraud or suspected fraud when performing procedures in accordance with the attestation standards. Suspected fraud includes allegations of fraud that come to the practitioner's attention during the course of the examination engagement.

.A81 It may be appropriate to make inquiries of the responsible party, the engaging party, or both. Inquiries of management may provide useful information concerning the risks of material misstatements resulting from employee fraud. However, such inquiries are unlikely to provide useful information regarding the risks of material misstatement resulting from fraud involving management.

.A82 Inquiries of other individuals within the responsible party, the engaging party, or both, may provide additional insight into fraud-prevention controls, tone at the top, and the culture of the organization. Such inquiries may be useful in providing the practitioner with a perspective that is different from that of individuals in the reporting process. The responses from these inquiries may also serve to corroborate responses received from management or provide information regarding the possibility of management override of controls. The practitioner may also obtain information about how effectively management has communicated standards of ethical behavior throughout the organization.

.A83 The following are examples of other individuals within the responsible party, the engaging party, or both to whom the practitioner may direct inquiries about the existence or suspicion of fraud or instances or suspicions of noncompliance with laws or regulations affecting the subject matter:

- Operating personnel not directly involved in the preparation, measurement, or evaluation of the subject matter

- Employees with different levels of authority
- In-house legal counsel
- Chief ethics officer, chief compliance officer, or equivalent person
- The person or persons charged with dealing with allegations of fraud

.A84 Remaining alert for circumstances that may be indicative of fraud or suspected fraud throughout the engagement is important, including when performing procedures near the end of the engagement when time pressures to complete the engagement may exist. For example, evidence may be obtained near the end of the engagement that may call into question the reliability of other evidence obtained or cast doubt on the integrity of the responsible party or, if different, the engaging party.

.A85 An example of when laws or regulations would be relevant to the engagement objectives is an engagement performed in accordance with AT-C section 315, *Compliance Attestation*, and the objective of the engagement is to examine the responsible party's compliance with specified laws or regulations or an assertion about compliance with specified laws or regulations.

Understanding of Internal Control When the Subject Matter of the Engagement Is Not Internal Control

Control Activities (Ref: par. .44–.45 and .54–.58)

.A86 The requirements in paragraphs .44–.45 and .54–.58 are intended to address scenarios in which a practitioner is planning to rely on controls to change the nature, timing, or extent of procedures performed related to identified risks of material misstatement and not to support the practitioner's opinion on any aspect of internal controls. If performing an examination in which internal control is the subject matter of the engagement, the extent of work performed related to internal control (for example, obtaining an understanding of internal controls, evaluating design effectiveness, or testing operating effectiveness) may vary depending on the nature and objectives of the engagement. The requirements in paragraphs .44–.45 and .54–.58 and the related application material may assist the practitioner in determining the nature, timing, and extent of procedures in an examination of internal control.

Design and Implementation of Controls When the Subject Matter of the Engagement Is Not Internal Control (Ref: par. .45)

.A87 For purposes of the attestation standards, the design effectiveness of a control means the same thing as the suitability of the design of a control.

Identifying and Assessing the Risks of Material Misstatement (Ref: par. .46)

.A88 Based on the understanding obtained in accordance with paragraphs .45–.46, the practitioner may identify one or more control deficiencies. If the results of the understanding obtained raise doubts about the ability to obtain evidence on which to base the practitioner's opinion, the practitioner may

- perform additional risk assessment procedures until evidence has been obtained to alleviate the practitioner's doubts;
- withdraw from the engagement when practicable; or
- consider the implications for the practitioner's report.

.A89 Management is in a unique position to perpetrate fraud because of management's ability to manipulate data and records and prepare fraudulent subject matter information by overriding controls that otherwise appear to be operating effectively. The level of risk of management override of controls will vary based on the subject matter of the engagement.

.A90 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.

.A91 In some cases, a subject-matter AT-C section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter AT-C section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

Responding to Risks of Material Misstatement

Overall Responses (Ref: par. .51)

.A92 Examples of risks of material misstatement for the subject matter or assertion include

a. the practitioner's evaluation of the control environment indicates that

  i. the responsible party has not created and maintained a culture of honesty and ethical behavior;

  ii. the control environment does not provide an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; or

  iii. control deficiencies identified in the control environment undermine the other components of the system of internal control.

b. the practitioner identifies fraud or suspected fraud or noncompliance or suspected noncompliance with laws or regulations.

c. the practitioner identifies pervasive risks of material misstatement throughout the subject matter information.

.A93 Overall responses to address the assessed risks of material misstatement of the subject matter or assertion may include the following:

- Emphasizing to the engagement team the need to maintain professional skepticism
- Assigning more experienced staff or those with specialized skills or using specialists
- Providing more supervision
- Incorporating additional elements of unpredictability in the selection of further procedures to be performed
- Making changes to the nature, timing, or extent of procedures (for example, performing procedures at period-end instead of at an interim date or modifying the nature of procedures to obtain more persuasive evidence)

.A94 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.
- increasing the number of locations to be included in the scope of the examination engagement.

Tests of Controls

*Tests of Controls When the Subject Matter of the Engagement Is Not Internal Control (Ref: par. .54 and .57*b*)*

.A95 Inquiry alone is not sufficient to test the operating effectiveness of controls. Accordingly, other procedures are performed in combination with inquiry. In this regard, inquiry combined with inspection, recalculation, or reperformance may provide more assurance than inquiry and observation because an observation is pertinent only at the point in time at which it is made.

.A96 The nature of the particular control influences the type of procedure necessary to obtain evidence about whether the control was operating effectively. For example, if operating effectiveness is evidenced by documentation, the practitioner may decide to inspect such documentation to obtain evidence about operating effectiveness. For other controls, however, documentation may not be available or relevant. For example, documentation of operation may not exist for some factors in the control environment, such as assignment of authority and responsibility, or for some types of controls, such as automated controls. In such circumstances, evidence about operating effectiveness of such controls may need to be tested at various times throughout the period to which the subject matter relates.

.A97 In some situations, particularly in smaller, less complex entities, an entity might use a third party to provide assistance with certain reporting functions. When assessing the competence of personnel responsible for an entity's reporting and associated controls, the practitioner may take into account the combined competence of the entity's personnel and other parties that assist with functions related to reporting.

.A98 When more persuasive evidence is needed regarding the effectiveness of a control, it may be appropriate to increase the extent of testing of the control. In addition to the degree of reliance on controls, matters the practitioner may consider in determining the extent of tests of controls include the following:

- The frequency of the performance of the control by the entity during the period
- The length of time during the period that the practitioner is relying on the operating effectiveness of the control
- The expected rate of deviation from a control
- The relevance and reliability of the evidence to be obtained regarding the operating effectiveness of the control at the appropriate level for the subject matter
- The extent to which evidence is obtained from tests of other controls

.A99 Because of the inherent consistency of IT processing, it may not be necessary to increase the extent of testing of an automated control. An automated control can be expected to function consistently unless the IT application (including the tables, files, or other permanent data used by the IT application) is changed. Once the practitioner determines that an automated control is functioning as intended (which could be done at the time the control is initially implemented or at some other date), the practitioner may consider performing tests to determine that the control continues to function effectively. Such tests may include testing the general IT controls related to the IT application.

.A100 Similarly, the practitioner may perform tests of controls that address risks of material misstatement related to the integrity of the entity's data, or the accuracy and completeness of the entity's system-generated reports, or may determine such tests are necessary to address risks of material misstatement because substantive procedures alone cannot provide sufficient appropriate evidence. These tests of controls may include tests of general IT controls that address the matters in paragraph .53*a*. When this is the case, the practitioner may not need to perform any further testing to obtain evidence about the matters in paragraph .53*a*.

.A101 When the practitioner determines that a general IT control is deficient, the practitioner may consider the nature of the related risks arising from the use of IT that were identified to provide the basis for the design of the practitioner's additional procedures to address the assessed risk of material misstatement. Such procedures may address determining

- whether the related risks arising from the use of IT have occurred. For example, if users have unauthorized access to an IT application (but cannot access or modify the system logs that track access), the practitioner may decide to inspect the system logs to obtain evidence that those users did not access the IT application during the period.

- whether there are any alternate or redundant general IT controls, or any other controls, that address the related risks arising from the use of IT. If so, the practitioner may identify such controls (if not already identified) and, therefore, evaluate their design, determine that they have been implemented, and perform tests of their operating effectiveness. For example, if a general IT control related to user access is deficient, the entity may have an alternate control whereby IT management reviews end-user access reports on a timely basis. Circumstances in which an application control may address a risk arising from the use of IT may include when the information that may be affected by the general IT control deficiency can be reconciled to external sources or internal sources not affected by the general IT control deficiency (for example, a separate IT application or data source).

.A102 In some circumstances, it may be necessary to obtain evidence supporting the effective operation of indirect controls (for example, general IT controls). As explained in paragraphs .A100–.A101, general IT controls may have been identified because of their support of the operating effectiveness of automated controls or due to their support in maintaining the integrity of information used in the entity's reporting, including system-generated reports. The requirement in paragraph .53*b* acknowledges that the practitioner may have already tested certain indirect controls to address the matters in paragraph .53*a*.

.A103 The combination of the likelihood and magnitude of a potential misstatement determines the significance of the risk. Making this assessment informs the practitioner's design of further procedures to address the risk. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk.

.A104 In general, the higher the risk of material misstatement or the greater the reliance on controls, the shorter the time period elapsed since controls were last tested, if any, is likely to be.

Substantive Procedures (Ref: par. .61)

.A105 The procedures the practitioner performs to cover the remaining period may consist of substantive procedures only or substantive procedures combined with tests of controls for the intervening period.

Substantive Analytical Procedures (Ref: par. .61)

.A106 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.

.A107 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. .63)

.A108 AICPA Audit Guide *Audit Sampling* provides guidance that may be useful to a practitioner who has decided to use sampling in performing attestation procedures.

.A109 The selection of a small number of items to confirm the practitioner's understanding of the process or to obtain information in order to design better procedures is not considered sampling.

Estimates (Ref: par. .64)

.A110 Regardless of the source or degree of uncertainty, complexity or subjectivity, or the extent of the responsible party's judgment, it is necessary for the responsible party to appropriately apply the criteria when developing estimates, including selecting and using appropriate methods, assumptions, and data.

.A111 When a change from prior periods in a method is not based on new circumstances or new information, or when significant assumptions are inconsistent with each other and with those used in other estimates or with related assumptions used in other areas of the responsible party's business activities, the practitioner may need to have further discussions with the responsible party about the circumstances and, in doing so, challenge the responsible party regarding the appropriateness of the assumptions used.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations (Ref: par. .67–.68)

.A112 When communicating fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the appropriate level within the responsible party or the engaging party with whom to discuss these matters may depend on whether management of the responsible party may have been involved in the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations. It will also depend on whether the engaging party, if different from the responsible party, is involved in managing the entity. If the engaging party is not involved with managing the entity, the practitioner may communicate to the engaging party the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations involving management, employees who have significant roles in internal control, or where the fraud or noncompliance with laws or regulations results in a material misstatement, unless that communication is prohibited by law, regulation, or ethical requirements.

.A113 The implications of identified fraud or suspected fraud or instances of noncompliance or suspected noncompliance will depend on the relationship of the perpetration and concealment, if any, of the act to specific controls and the level of management or employees involved within the responsible party, especially implications arising from the involvement of the highest authority within the entity.

.A114 In responding to fraud or suspected fraud identified during the examination engagement, it may be appropriate, unless prohibited by law, regulation, or ethical standards, for the practitioner to, for example,

- request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
- obtain legal advice about the consequences of different courses of action.
- withdraw from the engagement when possible under applicable law or regulation.

.A115 The actions noted in paragraph .A114 may also be appropriate in responding to instances of noncompliance or suspected noncompliance with laws or regulations identified during the examination engagement. It may be appropriate to describe the matter in a separate paragraph in the practitioner's report, unless either of the following apply:

a. The practitioner is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraphs .112*a* and .121 apply.

b. The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .118 and .124 apply.

.A116 The practitioner may consider whether withdrawal from the examination engagement, when withdrawal is possible under applicable law or regulation, is necessary when the responsible party or, if different, the engaging party do not take the remedial action that the practitioner considers appropriate in the circumstances, even when the fraud or noncompliance is not material to the subject matter. Factors that may affect the practitioner's decision may include the implications of the failure to take remedial action, which may affect the practitioner's ability to rely on written representations, and the effects of continuing association with the entity. When deciding whether withdrawal from the engagement is necessary, the practitioner may consider seeking legal advice. If withdrawal from the examination engagement is not possible under applicable law or regulation, the practitioner may consider alternative actions, including describing the noncompliance in a separate paragraph in the practitioner's report.

Reporting to an Appropriate Authority Outside the Appropriate Party (Ref: par. .69)

.A117 The practitioner's professional duty to maintain the confidentiality of the appropriate parties' information may preclude reporting fraud or noncompliance to a party outside the responsible party or the engaging party. However, the practitioner's legal responsibilities vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, regulation, courts of law, specific requirements of examinations of responsible parties that receive government financial assistance, or waived by agreement. In some circumstances, the practitioner has a statutory duty to report the occurrence of fraud or instances of noncompliance to supervisory authorities. Also, in some circumstances, the practitioner has a duty to report misstatements to authorities when the appropriate party fails to take corrective action. The practitioner may consider it appropriate to obtain legal advice to determine the appropriate course of action in these circumstances.

Considerations Specific to Governmental Entities and Not-for-Profit Organizations

.A118 For governmental entities and not-for-profit organizations, requirements for reporting fraud or noncompliance with laws or regulations, whether or not discovered through the examination process, may be subject to specific provisions of the examination mandate or related law or regulation. 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 engagement. The practitioner also may be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies.

Revising the Risk Assessment (Ref: par. .71)

.A119 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.

.A120 The practitioner may become aware of a matter that causes the practitioner to believe the subject matter may be materially misstated; for example, when performing analytical procedures, the practitioner identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expectations

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: par. .72–.73)

.A121 Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in the aggregate, they are material when forming the practitioner's opinion. (See also paragraph .95*b*.)

.A122 "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial will be of a wholly different (smaller) order of magnitude, or of a wholly different nature, than those that would be determined to be material, and they will be misstatements 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 misstatement is considered not to be clearly trivial.

.A123 The nature of identified misstatements and the circumstances of their occurrence may indicate that the misstatements may be a result of fraud. Misstatements due to fraud may result from intentional

- manipulation, falsification, or alteration of information or supporting documentation from which the subject matter information is prepared; or
- misrepresentation in, or omission from, the subject matter information.

.A124 A misstatement due to fraud may have implications for other aspects of the engagement. For example, fraud involving senior management may bring into question the reliability of information previously obtained and intended to be used as evidence, as doubts may exist about the completeness and truthfulness of representations made and about the authenticity of records and documents.

Communicating and Correcting Misstatements (Ref: par. .75 and .77)

.A125 Timely communication of misstatements to the responsible party is important because it enables the responsible party to evaluate whether subject matter information is misstated, inform the practitioner if the responsible party disagrees, and take action as necessary.

.A126 Law or regulation may restrict the practitioner's communication of certain misstatements to the responsible party. For example, laws or regulations may specifically prohibit a communication or other action that might prejudice an investigation by an appropriate authority into an instance of noncompliance or suspected noncompliance with laws or regulations. In some circumstances, potential conflicts between the practitioner's obligations of confidentiality and obligations to communicate may be complex. In such cases, the practitioner may consider seeking legal advice.

.A127 The practitioner's understanding of the responsible party's reasons for not making the corrections may indicate possible bias in the responsible party's judgments.

Evaluating the Description of Criteria (Ref: par. .79)

.A128 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.

.A129 A description of the criteria that states that the subject matter information 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.

Subsequent Events and Subsequently Discovered Facts (Ref: par. .80–.81)

.A130 For certain subject-matter AT-C sections, specific subsequent event requirements and related application guidance have been developed for engagement performance and reporting.

.A131 The practitioner's procedures to identify subsequent events may include

a. obtaining an understanding of any procedures the responsible party has established to identify subsequent events.

b. reading minutes of meetings of appropriate parties held after the date of the subject matter or assertion and inquiring about matters discussed at any such meetings for which minutes are not yet available.

.A132 Additional 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.

.A133 If the responsible party does not appropriately reflect a subsequent event in the subject matter or in its assertion 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 when withdrawal is possible under applicable law or regulation.

.A134 Subsequent to the date of the practitioner's report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine if the facts existed at the date of the report and, if so, whether persons who would attach importance to these facts are currently using, or are likely to use, the report and related subject matter or assertion. This may include requesting the appropriate party's cooperation in whatever investigation or further action may be necessary. The specific actions to be taken in a particular case by the appropriate party and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent.

.A135 Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner's report is necessary. This may be the case, for example, when

a. the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and

b. issuance of a subsequent report is not imminent.

If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends on the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.

Written Representations (Ref: par. .85–.88)

.A136 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A137 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.

.A138 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.

.A139 In some cases, the responsible party may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the practitioner to accept such wording if, in the practitioner's professional judgment, the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.

.A140 When obtaining written representations, occasionally, circumstances may prevent the responsible party from signing the representation letter and returning it to the practitioner on the date of the practitioner's report. In those circumstances, the practitioner may accept the responsible party's oral confirmation, on or before the date of the practitioner's report, that the responsible party has reviewed the final representation letter and will sign the representation letter without exception as of the date of the practitioner's report, thereby providing sufficient appropriate evidence for the practitioner to date the report. However, possession of the signed representation letter prior to releasing the practitioner's report is necessary because paragraph .85 requires that the representations be in the form of a written letter from the responsible party. Furthermore, when there are delays in releasing the report, a fact may become known to the practitioner that, had it been known to the practitioner at the date of the practitioner's report, might affect the practitioner's report and result in the need for updated representations. Paragraphs .80–.84 address the practitioner's responsibilities in such circumstances

.A141 The responsible party's acknowledgment of its responsibilities may include responsibility for the design, implementation, and maintenance of internal control relevant to the measurement or evaluation of the subject matter or assertion such that it is free from material misstatement.

.A142 Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .86 and .92*a* (making inquiries of the responsible party and restricting the use of the practitioner's report).

.A143 The practitioner may request additional representations regarding matters specific to the responsible party's business or industry.

Requested Representations Not Provided or Not Reliable (Ref: par. .91–.92)

.A144 The engaging party's refusal to furnish written representations constitutes a limitation on the scope of the examination engagement. Such refusal is often sufficient to preclude an unmodified opinion and, particularly with respect to the representations in paragraph .87, may cause a practitioner to disclaim an opinion or withdraw from the engagement when withdrawal is possible under applicable law or regulation. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate.

.A145 Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:

- When the engaging party does not have a relationship with the responsible party
- When the examination engagement is undertaken against the wishes of the responsible party, for example, when required by law or regulation

In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the evidence to support a conclusion that the responsible party has taken responsibility for the subject matter.

.A146 After performing the procedures in items (*a*)–(*b*) of paragraph .91, the practitioner may determine that an oral representation may provide evidence needed with respect to the matter addressed by the representation, for example, when the engaging party is not the responsible party.

.A147 Even when the responsible party provides oral responses to the matters in paragraph .85, 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.

.A148 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 .85*a*, application of paragraph .92*a* requires the practitioner to obtain an oral assertion when a written assertion is not obtained. Paragraph .92*b* applies when the responsible party provides neither a written nor an oral assertion.

Forming the Opinion

Evaluating the Evidence Obtained (Ref: par. .93–.95)

.A149 Sufficient appropriate evidence is necessary to support the practitioner's opinion and report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality management procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party. Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party. *Evidence* comprises both information that supports and corroborates aspects of the subject matter and any information that contradicts aspects of the subject matter. In addition, in some cases, the absence of information (for example, refusal by the appropriate party to provide a requested representation) is considered by the practitioner and, therefore, also constitutes evidence.

.A150 The sufficiency and appropriateness of evidence are interrelated. *Sufficiency of evidence* is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.

.A151 *Appropriateness of evidence* is the measure of the quality of evidence, that is, its relevance and reliability in providing support for the practitioner's opinion. The reliability of evidence is influenced by its source and nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to the responsible party, circumstances may exist that could affect its reliability. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. Recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:

- Evidence is more reliable when it is obtained from independent sources outside the appropriate party.
- Evidence that is generated internally is more reliable when the related controls are effective.
- Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
- Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed).
- 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.

.A152 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.

.A153 Whether sufficient appropriate evidence has been obtained on which to base the practitioner's opinion is a matter of professional judgment.

.A154 Indicators of possible management bias may affect the practitioner's conclusion about whether the practitioner's risk assessment and related responses remain appropriate. The practitioner may also need to consider the implications for other aspects of the engagement, including the need to further question the appropriateness of management's judgments in making estimates. Further, indicators of possible management bias may affect the practitioner's conclusion about whether the subject matter is materially misstated.

Concluding (Ref: par. .97–.98)

.A155 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

.A156 An examination engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner's attention. Examples of such information include the following:

- 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.

.A157 In making the evaluation required by paragraph .96, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:

- The measurement or evaluation methods used when the criteria allow for choice among methods
- Significant interpretations made in applying the criteria in the engagement circumstances
- Subsequent events, depending on their nature and significance
- Whether there have been any changes in the measurement or evaluation methods used

.A158 Paragraph .96 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. .101)

.A159 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.

.A160 This section of this proposed SSAE 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.

.A161 The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraphs .102–.104 of this section of this proposed SSAE or may issue a report that expands on or supplements those elements. In addition to the basic elements, the report may include information or explanations that are not intended to affect the practitioner's opinion, for example, details about the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, a description of the procedures the practitioner performed, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .119, additional information, such as recommendations, is clearly separated from the practitioner's opinion and phrased in a manner that makes clear that it is not intended to detract from the opinion.

.A162 All the following reporting options are available to a practitioner, except when the circumstances described in paragraph .118 exist:

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

Content of the Practitioner's Report

*Title (Ref: par. .102*a*)*

.A163 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 relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

*Criteria (Ref: par. .102*d*)*

.A164 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 .A151.

*Relevant Responsibilitie*s *(Ref: par. .102*e–f*)*

.A165 Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to independently express an opinion about it. The statement in the report may express the responsibility in different ways depending on the nature of the engagement. For example, the responsible party is responsible for

- the measurement or evaluation of the subject matter.
- the preparation or fair presentation of the subject matter.
- its assertion being fairly stated.

.A166 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 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.

.A167 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 the criteria.
- obtain an understanding of internal control over the subject matter

*Statement About the Subject Matter and the Criteria (Ref: par. .102*g*)*

.A168 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 320, *Reporting on an Examination of Controls Relevant to User Entities' Internal Control Over Financial Reporting*, of the attestation standards established by the AICPA.

.A169 The language in paragraph .102*g*ii1 may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .102*g*ii1 include “to obtain reasonable assurance about whether

- the subject matter is presented in accordance with 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. .102*h*)*

.A170 A description of the nature of an examination engagement may state, for example, the following:

- An examination involves performing procedures to obtain evidence about the subject matter and that the nature, timing, and extent of the procedures selected depend on the practitioner’s judgment, including an assessment of the risks of material misstatement of the subject matter, whether due to fraud or error.
- Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by an intended user based on the subject matter or the assertion being reported on.
- 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 or assertion being reported on, whether due to fraud or error.
- An examination also involves examining evidence about the subject matter.
- In making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the subject 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.

.A171 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 engagement 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.

*Relevant Ethical Requirements (Ref: par. .102*i*)*

.A172 Relevant ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA Code of Professional Conduct applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

.A173 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.

*Inherent Limitations (Ref: par. .102*j*)*

.A174 In some cases, identification of specific inherent limitations is required by an AT-C section. For example, AT-C section 305 requires that the practitioner's report include a statement indicating that the prospective results may not be achieved.[46] To implement that requirement, the illustrative practitioner's examination report on a forecast in AT-C section 305 states, "There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material."[47] 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. .102*k*)*

.A175 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 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 the ABC criteria set forth in Note 1 is fairly stated, in all material respects.").

.A176 The language of the practitioner's opinion in paragraph .102*k* may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .102*k*i include the following:

- The subject matter is presented in accordance with the criteria, in all material respects.
- The subject matter achieves 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.)

Interpretative publications, including but not limited to AICPA Accounting and Auditing Guides, may provide additional examples of language that meet the requirements in paragraph .102*k*i.

.A177 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).

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[46] Paragraph .31*i* of AT-C section 305, *Prospective Financial Information*.
[47] Example 1 in paragraph .A44 of AT-C section 305.

.A178 A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter, in the written assertion about the subject matter, or in the report, even if the subject matter for the preceding date or period is not presented.

*Location (Ref: par. .102*l*)*

.A179 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.

Dating the Practitioner's Report (Ref: par. .103)

.A180 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.

.A181 Because the practitioner expresses an opinion on the subject matter information or assertion and the subject matter information 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 information 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, .85*a*, and .104–.105)*

.A182 A practitioner's report for which the conditions in paragraph .104 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.

.A183 A practitioner's report that is required by paragraph .104 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.

.A184 A practitioner may also issue a single combined practitioner's report that includes

- *a.* a practitioner's report that is required by paragraph .104 to include an alert that restricts its use and
- *b.* a report that is for general use.

.A185 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 .104 to include such an alert. In such circumstances, the use of the general-use report is not affected.

.A186 The written representations required by paragraph .85 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 .104*c* calls for an alert that restricts the use of the practitioner's report to the engaging party.

.A187 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.

.A188 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.

.A189 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.

.A190 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 a Practitioner's Specialist (Ref: par. .109)

.A191 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.

Engagements Conducted in Accordance With Both the Attestation Standards and Another Set of Standards (Ref: par. . 110–.111)

.A192 The reference to the other set of standards follows the identification of the relevant AICPA standards, for example, "Our examination was conducted in accordance with attestation standards established by the AICPA and in accordance with [*identify the standards, e.g., the standards of the Public Company Accounting Oversight Board (United States)*]."

.A193 A reference to "the standards" of the PCAOB indicates that the practitioner has complied not only with the PCAOB interim attestation standards, but also with the related professional practice standards of the PCAOB, including its independence rules; whereas a reference to "the interim attestation standards of the Public Company Accounting Oversight Board (United States)" indicates compliance only with the attestation standards of the PCAOB. The practitioner performing an attestation engagement in these circumstances may, nevertheless, be responsible for complying with the independence and other related professional practice standards of the PCAOB if, for example, the attestation engagement is subject to regulatory oversight that requires compliance with those rules. Whether the practitioner conducts an attestation engagement in accordance with the standards of the PCAOB or the interim attestation standards of the PCAOB depends on the circumstances of the engagement.

.A194 A practitioner may be required by law or regulation, or may otherwise determine it is more appropriate, to use the form of attestation report included in the other set of standards, adjusted to reflect that the engagement was also performed in accordance with AICPA attestation standards. This may be an acceptable form of report if it includes all the required reporting elements in paragraph .102.

Modifications to the Practitioner's Report (Ref: par. .112, .114, and .121)

.A195 The three types of modified opinions are a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends on the following:

a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with 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

.A196 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.

.A197 The practicality of withdrawing from the engagement may depend on the stage of completion of the engagement at the time that the scope limitation is imposed. If the practitioner has substantially completed the engagement, the practitioner may decide to complete the engagement to the extent possible, disclaim an opinion, and explain the scope limitation in the practitioner's report.

.A198 In certain circumstances, withdrawal from the engagement may not be possible if the practitioner is required by law or regulation to accept or continue the engagement. This may be the case for a practitioner who is appointed or elected to examine subject matter of governmental entities. It may also be the case in circumstances in which the practitioner is appointed to examine the subject matter covering a specific period or is appointed for a specific period and is prohibited from withdrawing before the completion of the engagement or before the end of that period. In such circumstances, the practitioner may consider it necessary to include a separate paragraph in the practitioner's report to provide users of the practitioner's report with an explanation of the matter.

.A199 Withdrawal may not be practicable when, for example, the practitioner is aware, based on the agreed-upon terms of the engagement, that the engaging party is required to report to a regulator on subject matter, and there is a regulatory requirement that such report will be accompanied by a practitioner's review report. In such circumstances, the practitioner may determine that withdrawal is not practicable.

.A200 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.

.A201 The following table illustrates how the practitioner's professional judgment about the nature of the matter or matters giving rise to the modification and the pervasiveness of the effects or possible effects on the subject matter affect the type of practitioner's report to be issued:

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

.A202 A scope limitation may arise from the following:

a. Circumstances beyond the control of the appropriate party. For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.

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 for engagement acceptance and continuance.

.A203 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 .86 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 .92*a* indicates this would not cause a scope limitation. Further, paragraph .92*a* requires that the practitioner's report in these circumstances contain an alert paragraph that restricts the use of the report to the engaging party.

.A204 The practitioner's decision to express a qualified opinion, disclaim an opinion, or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the omitted procedures on the practitioner's ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the subject matter.

.A205 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. .127)

.A206 The following is an example of the disclosure required by paragraph .127:

> Attestation standards established by the AICPA require that we request a written statement from [*identify the responsible party*] stating that [*identify the subject matter*] that we examined has been accurately measured or evaluated. We requested that [*identify the responsible party*] provide such a written statement but [*identify the responsible party*] refused to do so.

.A207 The practitioner's report discussed in paragraph .127 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.

.A208 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 .113 to describe the matter that gave rise to the modified opinion. Paragraph .A182 notes, however, that the practitioner is not precluded from restricting the use of any report.

Other Information

Agreeing on the Scope and Timing of the Other Information (Ref: par. .128)

.A209 The practitioner's responsibilities with respect to comparative information vary based on the engagement circumstances. In some circumstances, comparative information may be covered by the practitioner's opinion or a predecessor's attestation engagement. If the comparative information is not covered by the practitioner's opinion, then it is also other information.

.A210 If the practitioner is willing to permit the inclusion of the practitioner's report in a document or documents that contain other information, the practitioner's responsibilities relating to other information apply regardless of whether the other information is obtained by the practitioner prior to or after the date of the practitioner's report.

.A211 The practitioner may consider obtaining a written acknowledgment from the appropriate party as to what constitutes other information in the engagement letter, an amendment to the engagement letter, a representation letter, or some other written communication.

Reading the Other Information (Ref: par. .129)

.A212 A material inconsistency may raise doubt about the conclusions drawn from evidence previously obtained and, possibly, about the basis for the practitioner's opinion on the information subject to the examination engagement.

.A213 A material misstatement of fact may undermine the credibility of the document containing the information subject to the examination engagement.

.A214 While remaining alert for indications that a material misstatement of fact exists or the other information is otherwise misleading, the practitioner may focus on those matters in the other information that are of sufficient importance that a misstatement of the other information in relation to those matters could be material.

.A215 Remaining alert for indications that a material misstatement of fact exists or the other information is otherwise misleading could potentially result in the practitioner identifying such matters as the following:

- Information that omits or obscures information necessary for a user to appropriately understand a matter disclosed in the other information
- An internal inconsistency in the other information that leads the practitioner to believe that the other information appears to be materially misstated

Responding to Matters Related to the Other Information (Ref: par. .128 and .131)

.A216 Further actions that may be appropriate if the practitioner identifies a material inconsistency, a material misstatement of fact, or other information that is otherwise misleading include, for example, the following:

- Requesting the appropriate party to consult with a qualified third party, such as the appropriate party's legal counsel
- Obtaining legal advice about the consequences of different courses of action
- If required or permissible, communicating with third parties (for example, a regulator)
- Describing the material inconsistency in the practitioner's report
- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation

.A217 The practitioner is not required to reference the other information in the practitioner's report on the information subject to the examination engagement. However, the practitioner may include a separate paragraph clarifying the practitioner's association with the information to reduce the risk that a user may infer a level of assurance that is not intended. The following is an example of a separate paragraph that the practitioner may include in the practitioner's report on the information subject to the examination engagement:

> The [*identify the other information*] is not part of the [*identity the subject matter or assertion*]. Such information has not been subjected to the procedures applied in the examination of the [*identity the subject matter or assertion*], and accordingly, we do not express an opinion or provide any assurance on it.

Communication Responsibilities (Ref: par. .134)

.A218 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.

Exhibit — Illustrative Practitioner's Examination Reports

.A219 The illustrative practitioner's examination reports in this exhibit meet the applicable reporting requirements in paragraphs .101–.127. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements in paragraphs .101–.127. The criteria for evaluating the subject matter in examples 1–3 and 5–7 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 .105 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 see paragraph .106 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 their responsibility, for example, presenting the schedule of investment returns*] in accordance with [*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.

We conducted our examination in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with 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 basis for our opinion.

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*Date of 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 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.

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

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*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 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.

We conducted our examination in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is presented in accordance with 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 basis for our opinion.

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*Date of 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 [*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 their responsibility, for example, the number of widgets sold*] being calculated in accordance with [*identify the criteria, for example, the agreement dated (*date*) between ABC Company and XYZ Company, as further described in Note 1*]. Our responsibility is to express an opinion on [*identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company... or gallons of gas sold in the United States by XYZ Company to ABC Company) during the year ended December 31, 20XX*] based on our examination.

We conducted our examination in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold*] is in accordance with 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 basis for our opinion.

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

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

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

In our opinion, [*identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company, or gallons of gas sold in the United States by XYZ Company to ABC Company) during the year ended December 31, 20XX*] has been calculated in accordance with [*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.

[*Signature of the practitioner's firm*]

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

[*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 .118 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 an 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 their responsibility, for example, presenting the schedule of investment returns*] in accordance with [*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.

We conducted our examination in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is presented in accordance with 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 basis for our qualified opinion.

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

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

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

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

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

[*Signature of the practitioner's firm*]

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

[*Date of 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 .112–.127 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*]. XYZ Company's management is responsible for [*identify their responsibility, for example, presenting the schedule of investment returns*] in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express an opinion on [*identify the subject matter, for example, the schedule of investment returns*] based on conducting the examination in accordance with attestation standards established by the AICPA. Because of the limitation on the scope of our examination discussed in [*the separate paragraph that describes the nature of the matter giving rise to the modification*], 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 [*identify the criteria, for example, the ABC criteria set forth in Note 1*], in all material respects.

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

[*Describe the nature of the matter giving rise to the disclaimer*.]

[*Signature of the practitioner's firm*]

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

[*Date of practitioner's report*]

Example 7: Practitioner's Examination Report; Engagement Performed in Accordance With the AICPA Attestation Standards and the PCAOB Interim Standards

The following illustrates the additional language (in ***bold italics***) that a practitioner may include in attestation reports to indicate that the engagement was conducted in accordance with the AICPA attestation standards and the PCAOB interim attestation standards

Independent Accountant's Report

[*Same first paragraph as the standard report*]

We conducted our examination in accordance with attestation standards established by the AICPA ***and in accordance with the standards of the Public Company Accounting Oversight Board (United States)***. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with the criteria, in all material respects. [*Same subsequent paragraphs as the standard report*]

Example 8: Practitioner's Examination Report on Subject Matter; Unmodified Opinion in Which the Practitioner Is Making Reference to the Examination of a Portion of the Subject Matter Performed by a Referred-to Practitioner in Accordance With AICPA Attestation Standards

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 their responsibility, for example, presenting the schedule of investment returns*] in accordance with [*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.

We conducted our examination in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with the criteria, in all material respects.

We did not examine [*describe the portion of the subject matter that was examined by the referred-to practitioner including, if applicable, the magnitude of the portion of the subject matter examined by the referred-to practitioner*]. The [*describe the portion of the subject matter that was examined by the referred-to practitioner*] was examined by other practitioners whose report has been furnished to us, and our opinion, insofar as it relates to [*describe the portion of the subject matter that was examined by the referred-to practitioner*], is based solely on the report of other practitioners.

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 basis for our opinion.

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

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

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

In our opinion, based on our examination and the report of other practitioners, [*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 [*identify the criteria, for example, the ABC criteria set forth in Note 1*], in all material respects.

[*Signature of the practitioner's firm*]

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

[*Date of practitioner's report*]

PROPOSED AT-C SECTION 210

Review Engagements

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Proposed AT-C Section 210
Review Engagements

Introduction

.01 This section of this proposed Statement on Standards for Attestation Engagements (SSAE) contains performance and reporting requirements and application material for review engagements performed in accordance with the attestation standards. The requirements and guidance in this section of this proposed SSAE supplement the requirements and guidance in proposed AT-C section 105, *Concepts Common to All Attestation Engagements*.[48] For purposes of applying this section, the term *subject matter* encompasses the terms *underlying subject matter* and *subject matter information*, as defined in proposed AT-C section 105. If only one of these terms is applicable, that term is used.

Effective Date

.02 If issued as final, this section of this proposed SSAE will be effective for engagements beginning on or after June 15, 2029. Early implementation is permitted only if the practitioner also implements AT-C section 105 and, if applicable to the engagement, AT-C section 205, included in this proposed SSAE, early.

Objectives

.03 In conducting a review engagement, the objectives of the practitioner are to

- *a.* obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.
- *b.* express a conclusion in a written report about whether, based on the procedures performed and the evidence obtained, the practitioner is aware of any material modifications that should be made to
    - i. the subject matter in order for it to be in accordance with (or based on) the criteria, or
    - ii. the responsible party's assertion in order for it to be fairly stated.
- *c.* communicate further as required by relevant AT-C sections.

Definitions

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

Analytical procedures. Evaluations of information through analysis of plausible relationships among both quantitative and qualitative data. Analytical procedures also encompass such

[48] All AT-C sections can be found in AICPA *Professional Standards*.

investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

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

Management's specialist. An individual or organization possessing expertise in a specialized field related to the subject matter or criteria whose work is used by the responsible party to prepare or evaluate the subject matter. (Ref: par. .A1)

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

Other information. Information that is not subject to the attestation engagement but is included in a document or documents containing the information subject to the attestation engagement and the practitioner's report thereon. (Ref: par. .A2)

Subsequently discovered facts. Facts that become known to the practitioner after the date of the practitioner's report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner's report.

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.

Requirements

Conduct of a Review Engagement

.05 In performing a review engagement, the practitioner should comply with this section of this proposed SSAE, proposed AT-C section 105, and any subject-matter AT-C section that is relevant to the engagement. A subject-matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. .A3)

.06 The practitioner should consider whether the nature of the procedures to be performed would enable the practitioner to obtain sufficient appropriate evidence to obtain limited assurance.

.07 A practitioner should not perform a review engagement in which the subject matter of the engagement is

- *a.* prospective financial information;
- *b.* internal control; or
- *c.* compliance with requirements of specified laws, regulations, rules, contracts, or grants.

Preconditions for a Review Engagement

.08 Proposed AT-C section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards unless the practitioner is required by law or regulation to accept the engagement.[49] When the practitioner is not independent but is required by law or regulation to accept the engagement, the practitioner should disclaim a conclusion 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.

Terms of the Review Engagement

Agreeing the Terms of the Review Engagement

.09 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A4)

.10 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. .A5)
- *c.* A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA
- *d.* The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. .A6–.A9)
- *e.* A statement that the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination and, consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed (Ref: par. .A10)
- *f.* Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter
- *g.* An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement
- *h.* Reference to the expected form and content of any reports to be issued by the practitioner and a statement that circumstances may arise in which a report may differ from its expected form and content (Ref: par. .A11)

.11 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

[49] Paragraph .28 of proposed AT-C section 105*, Concepts Common to All Attestation Engagements.*

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

.12 The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the underlying subject matter against the criteria. The practitioner should use professional judgment in determining whether the responsible party has a reasonable basis for making its assertion. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .92 requires the practitioner to withdraw from the engagement, when withdrawal is practicable. If the practitioner determines that it is not practicable to withdraw from the engagement, paragraph .93 requires the practitioner to disclaim a conclusion. 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 .94 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. .A12–.A16 and .A137)

Planning

Planning Activities

.13 The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the procedures that are necessary to achieve the objectives of the engagement. The practitioner should exercise professional judgment in selecting and applying procedures to obtain sufficient appropriate evidence that provides a reasonable basis for the practitioner's conclusion. (Ref: par. .A17–.A20)

Consideration of Concepts Not Directly Addressed in AT-C Section 210

.14 If, based on the facts and circumstances of the engagement, the practitioner determines it is appropriate to apply any of the following concepts to obtain sufficient appropriate evidence, the practitioner should apply the related requirements in proposed AT-C section 205, *Assertion-Based Examination Engagements*, adjusted as appropriate for a review engagement: (Ref: par. .A21)

a. Using the work of a practitioner's specialist[50]

b. Using internal auditors to provide direct assistance[51]

c. Using the work of the internal audit function[52]

d. Tests of controls[53]

[50] Paragraphs .11–.13 of proposed AT-C section 205, *Assertion-Based Examination Engagements*.
[51] Paragraphs .14–.18 of proposed AT-C section 205.
[52] Paragraphs .28–.31 of proposed AT-C section 205.
[53] Paragraphs .44–.45 and .52–.59 of proposed AT-C section 205.

e. Sampling[54]

Materiality

.15 The practitioner should consider materiality when (Ref: par. .A22-.A29)

a. establishing the overall engagement strategy;

b. determining the nature, timing, and extent of procedures; and

c. evaluating whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated.

.16 If the practitioner becomes aware of information during the review engagement that, if known previously, would have caused the practitioner to consider materiality differently, the practitioner should reconsider materiality.

Evidence

Evaluating Information to Be Used as Evidence

.17 The practitioner should evaluate information to be used as evidence by taking into account (Ref: par. .A30–.A32)

a. the relevance and reliability of the information, including its source. (Ref: par. .A33)

b. whether such information corroborates or contradicts the underlying subject matter. (Ref: par. .A34–.A36)

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

.18 When the practitioner expects to use information that has been prepared using the work of a management's specialist, the practitioner, to the extent necessary and taking into account the significance of that specialist's work for the practitioner's purposes, should

a. evaluate the competence, capabilities, and objectivity of that specialist. (Ref: par. .A37–.A39)
b. obtain an understanding of the work of that specialist. (Ref: par. .A40–.A44)
c. evaluate whether that specialist's work is appropriate for the practitioner's purposes. (Ref: par. .A45)

[54] Paragraph .64 of proposed AT-C section 205.

Inconsistencies in, or Doubts About the Reliability of, Evidence

.19 The practitioner should determine whether modifications or additions to the procedures are necessary to resolve inconsistencies in, or doubts about the reliability of, evidence and should consider the effect of the matter, if any, on other aspects of the engagement, including when (Ref: par. .A46–.A47)

a. evidence obtained from one source is inconsistent with that obtained from another source.
b. the results of a procedure are inconsistent with the results of another procedure.

Identifying Areas in Which a Material Misstatement Is Likely to Arise

Understanding the Subject Matter and Other Engagement Circumstances

.20 The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to: (Ref: par. .A48-.A50)

a. enable the practitioner to identify areas in which a material misstatement of the subject matter is likely to arise. (Ref: par. .A51)

b. provide a basis for designing and performing procedures to address the areas identified in item (*a*) and to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated.

Fraud or Noncompliance With Laws or Regulations Affecting the Subject Matter

.21 The practitioner should make inquiries of individuals within the appropriate party about whether those individuals have knowledge of any fraud or suspected fraud, including allegations of fraud, or instances of noncompliance or suspected noncompliance with laws or regulations affecting the subject matter. (Ref: par. .A52–.A55)

.22 The practitioner should remain alert to the possibility that procedures performed may bring information about fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations to the practitioner's attention. (Ref: par. .A56)

.23 In the absence of identified or suspected noncompliance, the practitioner is not required to perform procedures related to the entity's compliance with laws or regulations other than those set out in paragraphs .21–.22 and .53*f*ii.

Other Inquiries of the Responsible Party

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

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

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

Responding to Areas in Which a Material Misstatement Is Likely to Arise

.25 To obtain limited assurance, the practitioner should obtain sufficient appropriate evidence to reduce attestation risk to a level that is acceptable in the circumstances of the engagement as a basis for expressing a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated.

Designing and Performing Procedures

.26 Based on the practitioner's understanding obtained in accordance with paragraph .20, the practitioner should design and perform procedures to obtain limited assurance to support the practitioner's conclusion. Inquiry procedures alone are not sufficient to obtain limited assurance. (Ref: par. .A57–.A62)

.27 The practitioner should identify and place increased focus on those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated.

Procedures Performed to Obtain Limited Assurance

Inquiries

.28 The practitioner should inquire of the responsible party about the following:

a. Whether the subject matter has been prepared in accordance with (or based on) the criteria

b. The practices used by the responsible party to measure, recognize, and record the subject matter, including reporting policies relevant to the subject matter, if any (Ref: par. .A63)

c. Questions that have arisen in the course of applying the procedures

d. Communications from regulatory agencies or others, if relevant

.29 The practitioner should consider the reasonableness and consistency of the responsible party's responses in light of the results of other procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party.

Analytical Procedures

.30 When designing and performing analytical procedures to obtain limited assurance, the practitioner should (Ref: par. .A64-.A65)

a. determine the suitability of particular analytical procedures for the subject matter, taking into account the practitioner's awareness of risks.

b. evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available.

c. develop an expectation with respect to recorded amounts or ratios.

.31 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 (Ref: par. .A66)

a. inquire of the responsible party about such differences.

b. consider the responses to these inquiries to determine whether additional procedures are necessary in the circumstances.

Estimates

.32 In areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated with respect to estimates, the practitioner should consider, through inquiry and other procedures as necessary, whether (Ref: par. .A67-.A68)

a. the responsible party has appropriately applied the requirements of the criteria relevant to estimates;

b. the responsible party's methods for developing estimates are appropriate and have been applied consistently; and

c. changes, if any, in reported estimates, or changes from the prior period in the method used for developing estimates, are appropriate in the circumstances.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations

.33 If the practitioner becomes aware of information concerning fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations,[55] the practitioner should obtain

a. an understanding of the nature of the act and the circumstances in which it has occurred; and

b. further information to evaluate the possible effect on the subject matter.

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[55] The "Responding to Noncompliance With Laws and Regulations" interpretation (ET sec. 1.180.010) under the "Integrity and Objectivity Rule" (ET sec. 1.100.001) in the AICPA Code of Professional Conduct establishes responsibilities beyond those in the attestation standards when encountering instances of noncompliance or suspected noncompliance with laws or regulations. All ET sections can be found in AICPA *Professional Standards*.

.34 If the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the practitioner should discuss these matters with the appropriate party. (Ref: par. .A69)

.35 The practitioner should consider the implications of identified fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations in relation to other aspects of the review engagement, including the practitioner's planning and the reliability of written representations, and take appropriate action. (Ref: par. .A70-.A73)

.36 If the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the practitioner should determine whether the practitioner has a responsibility to report the occurrence or suspicion to a party outside the appropriate party. Although the practitioner's professional duty to maintain the confidentiality of client information may preclude such reporting, the practitioner's legal responsibilities may override the duty of confidentiality in some circumstances. (Ref: par. .A74–.A75)

.37 In the event the practitioner identifies fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations in connection with the review engagement, the practitioner should consider responsibilities under the AICPA Code of Professional Conduct (AICPA code) and applicable law prior to communicating such information either to the responsible party or the engaging party.

Designing and Performing Additional Procedures

.38 During the performance of procedures, if the practitioner becomes aware that information coming to the practitioner's attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner's report.

.39 If the practitioner believes the subject matter may be materially misstated, the practitioner should design and perform additional procedures sufficient to enable the practitioner to (Ref: par. .A76)

- *a.* conclude that the matter or matters are not likely to cause the subject matter information to be materially misstated; or
- *b.* determine that the matter or matters cause the subject matter information to be materially misstated.

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements

.40 The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. .A77–.A78)

.41 If the practitioner identifies a misstatement, the practitioner should consider whether such a misstatement is indicative of fraud. If such an indication exists, the practitioner should respond appropriately. (Ref: par. .A79–.A80)

Consideration of Identified Misstatements as the Engagement Progresses

.42 The practitioner should determine whether the overall engagement strategy needs to be revised if the

a. nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or

b. misstatements accumulated during the engagement may, in the aggregate, result in the subject matter or assertion being materially misstated.

Communicating and Correcting Misstatements

.43 The practitioner should communicate on a timely basis to the responsible party all misstatements accumulated during the engagement. (Ref: par. .A81–.A82)

.44 If, at the practitioner's request, the responsible party has corrected misstatements that were detected, the practitioner should perform additional procedures with respect to the results of the work performed by the responsible party to be able to conclude whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated.

.45 If the responsible party does not correct some or all of the misstatements requested to be corrected by the practitioner, the practitioner should obtain an understanding of the responsible party's reasons for not making the corrections and should consider that understanding when forming the practitioner's conclusion. (Ref: par. .A83)

Determining Whether Uncorrected Misstatements Are Material

.46 The practitioner should determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the practitioner should consider the size and nature of the misstatements, and the particular circumstances of their occurrence.

Evaluating the Description of Criteria

.47 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A84–.A85)

Subsequent Events and Subsequently Discovered Facts

.48 The practitioner should (Ref: par. .A86-.A88)

a. inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the review engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion.

b. based on the results of the inquiry of the responsible party, and if different, the engaging party, in accordance with item (*a*), perform other procedures, if necessary, to identify events occurring up to the date of the practitioner's report that may have a significant effect on the subject matter or assertion and the practitioner's report.

c. if an event is identified as a result of the procedures performed pursuant to items (*a*) and (*b*),

i. determine whether such events are appropriately reflected in the subject matter or assertion in accordance with the criteria; and
ii. if such events are not appropriately reflected by the responsible party in the subject matter or in its assertion, take appropriate action.

.49 The practitioner is not required to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. However, if a subsequently discovered fact becomes known to the practitioner, the practitioner should (Ref: par. .A89–.A90)

a. discuss the matter with the responsible party and, if different, the engaging party, if appropriate; and

b. determine whether the subject matter or assertion needs revision and, if so, inquire how the responsible party intends to address the matter in the subject matter or assertion.

.50 If the responsible party revises the subject matter or assertion because of a subsequently discovered fact, the practitioner should

a. perform the procedures necessary in the circumstances on the revision.

b. consider the effect, if any, on the practitioner's report, including whether to

i. date the practitioner's report as of a later date; extend the procedures referred to in paragraph .48 to the new date of the practitioner's report on the revised subject matter or assertion; and request written representations from the responsible party and, if different, the engaging party as of the new date of the practitioner's report, in accordance with paragraphs .53–.60, or

ii. include an additional date in the practitioner's report on the revised subject matter or assertion that is limited to the revision (that is, dual-date the practitioner's report for that revision), thereby indicating that the practitioner's procedures subsequent to the original date of the practitioner's report are limited solely to the revision of the subject matter or assertion disclosed in the subject matter or assertion. In this circumstance, the practitioner should request written representations from the responsible party and, if different, the engaging party as of the additional date in the practitioner's report about whether

1. any information has come to the responsible party's attention that would cause the responsible party to believe that any of the previous representations should be modified.

2. any other events have occurred subsequent to the date of the subject matter or assertion that would require adjustment to, or disclosure in, the subject matter or assertion.

c. if the practitioner's report (before revision) has been made available to third parties, assess whether the steps taken by the appropriate party are timely and appropriate to ensure that anyone in receipt of that practitioner's report is informed of the situation, including that the practitioner's report is not to be relied upon. If the responsible party does not take the necessary steps, the practitioner should apply paragraph .52.

d. if the practitioner's report has already been released and the practitioner's conclusion on the revised subject matter or assertion differs from the conclusion the practitioner previously expressed, disclose the following matters in a separate paragraph of the practitioner's report:

i. The date of the practitioner's previous report

ii. The type of conclusion previously expressed

iii. The substantive reasons for the different conclusion

iv. iv. That the practitioner's conclusion on the revised subject matter or assertion is different from the practitioner's previous conclusion

.51 If the responsible party does not revise the subject matter or assertion in circumstances in which the practitioner believes it needs to be revised, then

a. if the subject matter or assertion has not been made available to third parties, the practitioner should notify the appropriate party not to make the subject matter or assertion available to third parties before the necessary revisions have been made and a new practitioner's report on the revised subject matter or assertion has been provided. If the subject matter or assertion is, nevertheless, subsequently made available to third parties without the necessary revisions, the practitioner should apply the requirements of paragraph item (*b*).

b. if the subject matter or assertion has been made available to third parties, the practitioner should assess whether the steps taken by the responsible party are timely and appropriate to ensure that anyone in receipt of the subject matter or assertion is informed of the situation, including that the subject matter or assertion is not to be relied upon. If the responsible party does not take the necessary steps, the practitioner should apply the requirements of paragraph .52.

.52 If the appropriate party does not take the steps the practitioner believes are necessary to ensure that anyone in receipt of the subject matter or assertion and the practitioner's report is informed of the situation, the practitioner should seek to prevent further reliance on the practitioner's report after informing the appropriate party of the intent to do so.

Written Representations

.53 The practitioner should request written representations from the responsible party in the form of a representation letter addressed to the practitioner. The representations should (Ref: par. .A91–.A95)

a. include the responsible party's assertion about the subject matter based on the criteria. (Ref: par. .A137)

b. state that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.

c. acknowledge responsibility for (Ref: par. .A5–.A7 and .A96)

  i. the subject matter and the responsible party's assertion;

  ii. selecting the criteria, when applicable; and

  iii. determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

d. state that the responsible party has provided the practitioner with all relevant information and access.

e. 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.

f. 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; and

  ii. its knowledge of any fraud or suspected fraud, including allegations of fraud, or instances of noncompliance or suspected noncompliance with laws or regulations affecting the subject matter.

g. state that any known events occurring subsequent to the period (or point in time) of the subject matter or assertion being reported on that could have a significant effect on the subject matter or assertion have been appropriately reflected in the subject matter or assertion.

h. state whether the responsible party believes the effects of uncorrected misstatements, if any, are immaterial, individually and in the aggregate, to the subject matter. A summary of such items should be included in, or attached to, the written representations.

i. state whether the responsible party believes that significant assumptions, if any, used in making any estimates are appropriate.

.54 When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .53 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .53. (Ref: par. . A97)

.55 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should do the following:

a. Acknowledge that the responsible party is responsible for the subject matter being in accordance with (or based on) the criteria and for its assertion.
b. Acknowledge the engaging party's responsibility for selecting the criteria.
c. Acknowledge the engaging party's responsibility for determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purposes of the engagement.
d. State that the engaging party is not aware of any material misstatements in the subject matter information or assertion.
e. State that the engaging party has disclosed to the practitioner any known events occurring subsequent to the period (or point in time) of the subject matter being reported on that could have a significant effect on the subject matter or assertion. (Ref: par. .A87)

.56 If, in addition to the representations required by paragraph .53 or .55, the practitioner determines that it is necessary to obtain, from the responsible or the engaging party, one or more written representations to support other evidence relevant to the subject matter, the practitioner should request such other written representations. (Ref: par. .A98)

.57 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.

.58 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 report.

Requested Representations Not Provided or Not Reliable

.59 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. .A99-.A100)

a. discuss the matter with the appropriate party.

b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.

c. if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the practitioner's report.

.60 When the engaging party is not the responsible party, (Ref: par. .A101-.A103)

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 .54 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form a conclusion about the subject matter, the practitioner's report should contain a separate paragraph that restricts the use of the practitioner's report to the engaging party. (Paragraphs .72–.73 contain requirements for the contents of such a paragraph.)

b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .54, a scope limitation exists, and the practitioner should determine the effect on the engagement in accordance with paragraph .88.

Forming the Conclusion

Evaluating the Evidence Obtained

.61 The practitioner should evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, perform additional procedures based on the practitioner's professional judgment regarding what is necessary in the circumstances to be able to form a conclusion on the subject matter. (Ref: par. .A104–.A107)

.62 In making the evaluation in accordance with paragraph .61, the practitioner should consider all relevant evidence, including evidence that is consistent or inconsistent with other evidence and regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A36)

Concluding

.63 The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated.

.64 In forming the conclusion in accordance with paragraph .63, the practitioner should consider the

a. practitioner's evaluation in accordance with paragraph .61 regarding the sufficiency and appropriateness of the evidence obtained; and (Ref: par. .A108)

b. determination in accordance with paragraph .46 of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A109)

.65 The practitioner should evaluate, based on the evidence obtained, whether the overall presentation and content of the subject matter information or assertion is misleading within the context of the engagement. (Ref: par. .A110–.A111)

.66 If the practitioner concludes that the overall presentation or content of the subject matter information or assertion is misleading within the context of the engagement, the practitioner should discuss the matter with the responsible party and, if appropriate, the engaging party and, depending on the requirements of the criteria and how the matter is resolved, should determine whether it is necessary to modify the conclusion in the practitioner's report in accordance with paragraphs .79–.91 or to withdraw from the engagement when practicable.

Scope Limitation

.67 If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the practitioner should apply paragraph .79*a* in determining the appropriate course of action. (Ref: par. .A104 and .A153)

Preparing the Practitioner's Report

.68 The practitioner's report should be in writing. (Ref: par. .A112–.A115)

Content of the Practitioner's Report

.69 The practitioner's report should include the following:

a. A title that includes the word *independent*. (Ref: par. .A116)

b. An appropriate addressee based on 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. .A117)

e. A statement that identifies the responsible party and its responsibility for the subject matter being in accordance with the criteria or for its assertion (Ref: par. .A118–.A119)

f. A statement that the practitioner's responsibility is to express a conclusion on the subject matter or assertion based on the practitioner's review. (Ref: par. .A118)

g. A statement that

i. the practitioner's review was conducted in accordance with attestation standards established by the AICPA. (Ref: par. .A120)

ii. those standards require that the practitioner plan and perform the review to obtain limited assurance about whether any material modifications should be made to (Ref: par. .A121)

1. the subject matter in order for it to be in accordance with the criteria (or equivalent language regarding the subject matter and criteria), or

2. the responsible party's assertion in order for it to be fairly stated.

iii. the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects, in order to express an opinion and that, accordingly, the practitioner does not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

iv. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion.

h. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with the relevant ethical requirements relating to the practitioner's review. (Ref: par. .A122–.A123)

i. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A124)

j. A description of the work performed as a basis for the practitioner's conclusion. (Ref: par. .A125–.A126)

k. The practitioner's conclusion about whether, based on the review, the practitioner is aware of any material modifications that should be made to (Ref: par. .A127–.A129)

i. the subject matter in order for it be in accordance with the criteria, or

ii. the responsible party's assertion in order for it to be fairly stated.

l. The manual or printed signature of the practitioner's firm.

m. The city and state where the practitioner's report is issued. (Ref: par. .A130)

n. The date of the report.

Dating the Practitioner's Report

.70 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 conclusion, including evidence that (Ref: par. .A131–.A132)

a. the attestation documentation has been reviewed;

b. if applicable, the written presentation of the subject matter has been prepared; and

c. the responsible party has provided a written assertion or, in the circumstances described in paragraph .A103, an oral assertion.

Restricted-Use Paragraph

.71 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. .A133–.A136)

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 .53 but does provide oral responses to the practitioner's inquiries about the matters in paragraph .53, as provided for in paragraphs .54 and .60*a*. In this case, use of the report should be restricted to the engaging party. (Ref: par. .A137)

.72 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. .A138)

c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A139–.A141)

.73 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 .72:

a. A description of the purpose of the report

b. A statement that the report is not suitable for any other purpose

Reporting on a Written Assertion or the Subject Matter

.74 A practitioner should report on a written assertion or directly on the subject matter. If the conclusion is modified because of a material misstatement, the practitioner should report directly on the subject matter, even when the assertion acknowledges the misstatement.

.75 If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report.

Reference to a Practitioner's Specialist

.76 The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified conclusion. (Ref: par. .A142)

Engagements Conducted in Accordance With Both the Attestation Standards and Another Set of Standards

.77 Paragraph .69*g*i requires that the practitioner's report state that the engagement was conducted in accordance with attestation standards established by the AICPA. However, a practitioner may indicate that the engagement was also conducted in accordance with another set of standards. The practitioner should not refer to having conducted an engagement in accordance with another set of standards in addition to attestation standards established by the AICPA unless the engagement was conducted in accordance with both sets of standards in their entirety. (Ref: par. .A143)

.78 When the practitioner's report refers to attestation standards established by the AICPA and also refers to another set of standards, the practitioner's report should identify the other set of standards. (Ref: par. .A144–.A145)

Modifications to the Practitioner's Report

Misstatement of Subject Matter and Scope Limitations

.79 The practitioner should either modify the conclusion or withdraw from the engagement when practicable when the following circumstances exist and, in the practitioner's professional judgment, the effect of the matter is or may be material: (Ref: par. .A146–.A148) *a.* The practitioner is unable to obtain sufficient appropriate evidence to conclude whether a material modification should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.

b. The practitioner concludes, based on the evidence obtained, that one or more material modifications should be made to the subject matter for it to be in accordance with (or based on) the criteria.

.80 When the practitioner modifies the conclusion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the nature of the matter giving rise to the modification and, if practicable, includes the effects on the subject matter.

.81 The practitioner should express a qualified conclusion when either of the following applies: (Ref: par. .A149–.A152)

a. The practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the subject matter.

b. The practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive.

.82 When the practitioner expresses a qualified conclusion due to a material misstatement of the subject matter, the practitioner should indicate that, based on the practitioner's review, except for the effects of the matter (or matters) giving rise to the qualification, the practitioner is not aware of any material modifications that should be made to the subject matter for it to be in accordance with the criteria. When the qualification arises from an inability to obtain sufficient appropriate evidence, the practitioner should use the corresponding phrase "except for the possible effects of the matter (or matters)…" for the qualified conclusion.

.83 The practitioner should express an adverse conclusion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter. (Ref: par. .A149–.A152)

.84 When the practitioner expresses an adverse conclusion, the practitioner should indicate that, based on the practitioner's review, because of the significance of the matter (or matters) giving rise to the adverse conclusion, the subject matter is not in accordance with the criteria and, had the practitioner been engaged to perform an examination, other matters might have come to the practitioner's attention.

.85 If the practitioner concludes that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the conclusion and express a qualified or adverse conclusion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.

.86 The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that conclusion or to imply that the practitioner has obtained reasonable assurance.

.87 When the conclusion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner's conclusion. The practitioner should indicate in the practitioner's report that such reference does not reduce the practitioner's responsibility for that conclusion.

.88 When the practitioner is unable to obtain sufficient appropriate evidence on which to base the practitioner's conclusion and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive, the practitioner should withdraw from the engagement, when practicable. If the practitioner determines that it is not practicable to withdraw, the practitioner should disclaim a conclusion. (Ref: par. .A101 and .A153-.A159)

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

.90 When the practitioner disclaims a conclusion due to an inability to obtain sufficient appropriate evidence, the practitioner's report should be amended to

a. indicate that because of the significance of the matter (or matters) giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion and that, accordingly, the practitioner does not express a conclusion on the subject matter.

b. indicate that the practitioner was engaged to review the subject matter or the responsible party's assertion.

c. replace the elements required by items (*f*)–(*h*) of paragraph .69 with the following:

Our responsibility is to express a conclusion on [*the subject matter or the responsible party's assertion*] based on conducting a review in accordance with attestation standards established by the AICPA. Because of the limitation on the scope of our review discussed in [*the separate paragraph that describes the nature of the matter or matters giving rise to the modification*], the scope of our work was not sufficient to enable us to express, and we do not express, a conclusion on whether we are aware of any material modifications that should be made to [*the subject matter in order for it to be in accordance with the criteria, or the responsible party's assertion for it to be fairly stated*].

d. exclude the description of the work performed as a basis for the practitioner's conclusion required by paragraph .69*j*.

.91 When the practitioner expresses a qualified or an adverse conclusion, the practitioner should amend the description of the practitioner's responsibility to indicate that the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's qualified or adverse conclusion.

Responsible Party Refuses to Provide a Written Assertion

.92 If the engaging party is the responsible party and refuses to provide the practitioner with a written assertion as required by paragraph .12, the practitioner should withdraw from the engagement when withdrawal is practicable.

.93 If the practitioner determines it is not practicable to withdraw from the engagement, the practitioner should disclaim a conclusion.

.94 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. .A160–.A162)

Other Information

Agreeing on the Scope and Timing of the Other Information

.95 When the appropriate party has communicated to the practitioner that the appropriate party intends to include the information subjected to the review and the practitioner's report thereon in one or more documents that contain other information, the practitioner should (Ref: par. .A2, .A163, and .A171)

a. discuss the purpose, planned manner, and timing of the issuance of such documents.

b. determine whether the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents. If the practitioner is not willing to permit the inclusion of the practitioner's report in such document or documents, the practitioner has no further responsibilities with respect to other information. (Ref: par. .A9 and .A164)

c. if the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents, make arrangements with the appropriate party to obtain in a timely manner and, if possible, prior to the date of the practitioner's report, the final version of the other information prior to issuance of the document or documents. (Ref: par. .A165)

Reading the Other Information

.96 The practitioner should read the other information and

a. consider whether a material inconsistency exists between the other information and the subject matter, assertion, or report. (Ref: par. .A166)

b. remain alert for indications that a material misstatement of fact exists in the other information or the other information is otherwise misleading. (Ref: par. .A167–.A169)

.97 The practitioner is not responsible for searching for omitted information or for the completeness of the other information.

Responding to Matters Related to the Other Information

.98 If, in the practitioner's professional judgment, a material inconsistency exists between the other information and the subject matter, assertion, or report; a material misstatement of fact exists in the other information; or other information is otherwise misleading, the practitioner should discuss the matter with the appropriate party and take further action as appropriate. (Ref: par. .A170)

.99 When, as a result of reading other information obtained after the date of the practitioner's report on the subject matter or assertion, the practitioner becomes aware that the report on the subject matter or assertion is inappropriate as a result of a material inconsistency with other information, the practitioner should apply paragraphs .49–.52.

.100 If the practitioner becomes aware that the appropriate party did not provide the practitioner with the final version of the other information determined in accordance with paragraph .95*c* prior to the issuance of the document or documents that include the other information to third parties, the practitioner should take appropriate action.

Communication Responsibilities

.101 The practitioner should communicate to the responsible party on a timely basis during the engagement matters concerning the review engagement that, in the practitioner's professional judgment, are of significant importance to merit the attention of the responsible party, including uncorrected misstatements. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A172)

Application and Other Explanatory Material

Definitions

Management's Specialist (Ref: par. .04)

.A1 Management's specialist may be internal or external to the responsible party. Management responsible for the subject matter or a service provider performing activities typically performed by management are not management's specialists.

Other Information (Ref: par. .04 and .95)

.A2 Whether something that contains both the subject matter and information that is not subject to the engagement is considered a "document" for purposes of identifying other information is a matter of professional judgment. For example, other information does not include information contained on the appropriate party's website. Websites are a means of distributing information and are not, themselves, documents.

Conduct of a Review Engagement (Ref: par. .05)

.A3 For example, if a practitioner were performing a review engagement on sustainability information, proposed AT-C section 105, this section of this proposed SSAE, and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*, would be relevant.

Terms of the Attestation Engagement

*Agreeing the Terms of the Review Engagement (Ref: par. .09–.10, .53*c*, and .95*b*)*

.A4 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.

.A5 A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:

a. A statement that a review is designed to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria

b. A statement that the objective of a review is the expression of a conclusion in a written practitioner's report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated

.A6 The responsibilities of the responsible party in the engagement letter or other suitable form of written agreement or in the representation letter may include responsibility for

- identifying, selecting, or developing suitable criteria.
- the preparation, evaluation, or measurement of the subject matter in accordance with (or based on) the criteria.
- providing access to all information of which the responsible party is aware that is relevant to the preparation, evaluation, or measurement of the subject matter in accordance with (or based on) the criteria.

.A7 Situations may exist in which the responsible party is not the engaging party, and as such, the responsibilities of each party may differ. For example, when the responsible party is not the engaging party, the engaging party, rather than the responsible party, may be responsible for identifying, selecting, or developing suitable criteria.

.A8 The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. Regardless of whether the practitioner recommends, develops, or assists in developing or identifying the criteria for the engagement, the engaging party is required to take responsibility for the criteria.

.A9 The agreed-upon terms of the engagement may include an acknowledgment that the engaging party, prior to inclusion of the practitioner's report in a document or documents containing the subject matter or assertion and other information, agrees to ask whether the practitioner is willing to permit the inclusion of the practitioner's report in such document or documents.

.A10 If relevant, a statement about the inherent limitations of a review engagement may indicate that "because of the inherent limitations of a review engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the review is properly planned and performed in accordance with the attestation standards."

.A11 An example of how the agreed-upon terms of the engagement may reference the expected form and content of any reports to be issued by the practitioner and a statement that circumstances may arise in which a report may differ from its expected form and content is as follows:

> We will issue a written report upon completion of our review engagement. Circumstances may arise in which our report may differ from its expected form and content based on the results of our review engagement. Depending on the nature of these circumstances, it may be necessary for us to modify our conclusion or, if necessary, withdraw from the engagement.

Requesting a Written Assertion (Ref: par. .12)

.A12 What constitutes a reasonable basis for the responsible party's assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the responsible party with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the responsible party's own processes to have a reasonable basis for its assertion.

.A13 The language of the responsible party's written assertion in paragraph .12 may need to be tailored to reflect the nature of the underlying subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .12 include the following:

- The subject matter is presented in accordance with the criteria.

- The subject matter achieved the objectives, for example, when the objectives are the criteria.

.A14 Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner's report. Such persons may contend that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons' responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to request a written assertion from the responsible party that covers the entire relevant period or periods still applies.

.A15 Paragraph .53*a* requires the practitioner to request a written representation from the responsible party that is the same as the responsible party's assertion. If the responsible party provides the practitioner with the written representation in paragraph .53*a*, the practitioner need not request a separate written assertion, unless a separate written assertion is called for by the engagement circumstances.

.A16 Regardless of the procedures performed by the practitioner, the responsible party is required to accept responsibility for its assertion and the subject matter. An assertion based solely on the practitioner's procedures would not be considered a reasonable basis for its assertion.[56]

Planning

Planning Activities (Ref: par. .13)

.A17 Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists. Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members, including participating practitioners, and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by others, such as referred-to practitioners and practitioner's specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

- The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the subject matter, and the criteria
- The expected timing and nature of the communications required

[56] 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.

- The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party is relevant
- The engagement process, including possible sources of evidence and choices among alternative measurement or evaluation methods
- The practitioner’s understanding of the appropriate party and its environment, including the risks that the subject matter or assertion may be materially misstated
- Identification of intended users and their information needs and consideration of materiality and the components of attestation risk
- The risk of fraud and noncompliance with laws or regulations relevant to the engagement
- The effect on the engagement of using the internal audit function

.A18 The practitioner may decide to discuss elements of planning with the appropriate party to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party’s personnel). Although these discussions often occur, the elements of planning remain the practitioner’s responsibility. When discussing planning matters, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

.A19 Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. Because of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the nature, timing, and extent of planned procedures.

.A20 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, planning the engagement need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team.

Consideration of Concepts Not Directly Addressed in AT-C section 210 (Ref: par. .14)

.A21 In applying the requirements in proposed AT-C section 205 in a review engagement, the practitioner may adjust the nature, timing, and extent of the procedures. Such adjustment is a matter of professional judgment and may vary depending on the engagement circumstances. For example, when using the work of the internal audit function, the practitioner may determine it is not necessary to involve reperformance when determining the adequacy of such work for the purpose of a review engagement.

Materiality (Ref: par. .15)

.A22 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.

.A23 Professional judgments about materiality are made considering surrounding circumstances, but they are not affected by the level of assurance; that is, for the same intended users, materiality for a review engagement is the same as it is for an examination engagement because materiality is based on the information needs of intended users and not the level of assurance.

.A24 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 considering materiality, the practitioner may assume that intended users

a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.
b. understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that users 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.

.A25 Qualitative factors may include the following:

- The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators
- The wording chosen with respect to subject matter that is expressed in narrative form, for example, the wording chosen does not omit or distort the information
- The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation
- The nature of a misstatement
- Whether a misstatement affects compliance with laws or regulations
- In the case of periodic reporting on a subject matter, whether the effect of an adjustment 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

.A26 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.

.A27 When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner's understanding of the subject matter and the responsible party and consideration of the nature and extent of misstatements identified in previous attestation engagements.

.A28 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 .A22–.A27. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

.A29 The aggregate of uncorrected and undetected misstatements may exceed materiality. To address that aggregation risk when performing the engagement, the practitioner may consider whether it is appropriate to determine performance materiality.

Evidence

Evaluating Information to Be Used as Evidence (Ref: par. .17 and .62)

.A30 The concept of evidence in a review engagement is the same as that in an examination. However, because the objective in a review engagement is to obtain limited assurance, which is a significantly lower level of assurance than the reasonable assurance that is obtained in an examination engagement, the evidence required to support a review conclusion, and the work effort to evaluate its relevance and reliability, is significantly less than that required to support an examination opinion.

.A31 The practitioner's evaluation of information to be used as evidence is not a formulaic exercise. The nature of the procedures that the practitioner performs is a matter of professional judgment and may depend on the form and source of the information to be used as evidence. For example, for oral information, considering the reasonableness and consistency of the responsible party's responses in light of the results of other procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party in accordance with paragraph .29 may be sufficient for the purpose of taking into account the relevance and reliability of the information and whether such information corroborates or contradicts the underlying subject matter in accordance with paragraph .17*a–b*.

.A32 Circumstances may arise in which an other individual, including an other practitioner who is not a participating practitioner or a referred-to practitioner, may perform work on information that is used by the practitioner as evidence. For example, a service auditor may issue a report on a service organization's controls that is considered by the practitioner. The work of these individuals would ordinarily be considered an information source in accordance with QM section 10, *A Firm's System of Quality Management*.[57] Obtaining and reading the information that has been reported on by an other individual and the accompanying report may be sufficient for the purpose of taking into account the relevance and reliability of the information in accordance with paragraph .17*a*.

.A33 The source of the information to be used as evidence often affects the consideration of its relevance and reliability. Information to be used as evidence may be obtained directly or derived individually or in combination from different sources, including from the responsible party, external information sources and other external parties, and the practitioner.

.A34 Evaluating information to be used as evidence involves taking into account information that corroborates or contradicts the measurement or evaluation of the subject matter against the criteria.

.A35 Contradictory information may be relevant even when the source of that information is less reliable than the source of corroborative information.

.A36 Contradictory information is not considered in isolation. Professional skepticism and judgment are necessary to evaluate the persuasiveness of the evidence taken as a whole, rather than focusing on an individual piece of evidence.

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

The Competence, Capabilities, and Objectivity of a Management's Specialist (Ref: par. .18*a*)

.A37 Information regarding the competence, capabilities, and objectivity of a management'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 others who are familiar with that specialist's work

[57] All QM sections can be found in AICPA *Professional Standards*.

- 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

.A38 Although safeguards cannot eliminate all threats to the objectivity of a management's specialist, threats such as intimidation threats may be of less significance to a specialist engaged by the entity than to a specialist employed by the entity, and the effectiveness of safeguards such as quality control policies and procedures may be greater. Because the threat to objectivity created by being an employee of the entity will always be present, a specialist employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity.

.A39 When evaluating the objectivity of a specialist engaged by the entity, it may be relevant to discuss with management and that specialist any interests and relationships that may create threats to the specialist's objectivity and any applicable safeguards, including any professional requirements that apply to the specialist, and to evaluate whether the safeguards are adequate. Interests and relationships creating threats may include the following:

- Financial interests
- Business and personal relationships between the entity and the individual specialist and between the entity and the organization that employs the individual specialist
- Provision of other services

Obtaining an Understanding of the Work of the Specialist (Ref: par. .18*b*)

.A40 Aspects of the field of the management's specialist relevant to the practitioner's understanding may include

- 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.
- the assumptions and methods used by the management's specialist and whether they are generally accepted within that specialist's field and appropriately applied under the criteria.
- the nature of internal and external data or information the management's specialist uses.

.A41 In the case of a management's specialist engaged by the entity, there will ordinarily be an engagement letter or other written form of agreement between the entity and that specialist. Evaluating that agreement when obtaining an understanding of the work of the management's specialist may assist the practitioner in determining for the practitioner's purposes the appropriateness of

- the nature, scope, and objectives of that specialist's work;
- the respective roles and responsibilities of management and that specialist; and
- the nature, timing, and extent of communication between management and that specialist, including the form of any report to be provided by that specialist.

.A42 In the case of a management's specialist employed by the entity, it is less likely that there will be a written agreement of this kind. Inquiry of the specialist and other members of management may be the most appropriate way for the practitioner to obtain the necessary understanding.

.A43 Obtaining an understanding of the work of a management's specialist includes obtaining an understanding about how the information prepared by that specialist has been used by management in the preparation of subject matter information and may include understanding

- how management has considered the appropriateness of the information prepared by the management's specialist; and
- the modifications made by management to the information prepared by the management's specialist.

.A44 The understanding described in paragraph .A43 may assist the practitioner in

- evaluating the relevance and reliability of the information intended to be used as evidence in accordance with paragraph .17*a*; and
- understanding whether the specialist's findings or conclusions have been appropriately reflected in the subject matter. For example, in some circumstances, management may need to modify the information prepared by the management's specialist, such as when the information provided is too general and requires adjustment to reflect the circumstances unique to the responsible party. Management's adjustments may give rise to bias, or management may not have the appropriate competence and capabilities to adapt or adjust the information, which may cause the information to be inaccurate, incomplete, or lack credibility.

Evaluating the Appropriateness of the Specialist's Work as Evidence (Ref: par. .18*c*)

.A45 Considerations when evaluating the appropriateness of the management's specialist's work as evidence may include

- the relevance and reasonableness of that specialist's findings or conclusions, their consistency with other evidence, and whether they have been appropriately reflected in the subject matter.
- if that specialist's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods.

- if that specialist's work involves significant use of internal or external data, the relevance and reliability of that data.

Inconsistencies in, or Doubts About the Reliability of, Evidence (Ref: par. .19)

.A46 When evidence is inconsistent with other evidence, it may indicate that some of the information used as evidence is not reliable. This may be the case, for example, when responses to inquiries of the responsible party, the engaging party, or others are inconsistent. Such inconsistencies may therefore call into question the appropriateness of the practitioner's evaluation of the relevance and reliability of such information, in accordance with paragraph .17*a*. The extent to which the practitioner may need to modify or add to the procedures to resolve the doubts and the effect on other aspects of the engagement may vary.

.A47 When performing a procedure, the practitioner may identify items that are inconsistent with the practitioner's expectations or that exhibit characteristics that are unusual. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of interest. These items may indicate a possible misstatement in the subject matter. They may also indicate inconsistencies in evidence, particularly when other evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of the information.

Identifying Areas in Which a Material Misstatement Is Likely to Arise

Understanding the Subject Matter and Other Engagement Circumstances (Ref: par. .20)

.A48 Engagement circumstances may be such that obtaining an understanding of the subject matter includes obtaining an understanding of the legal and regulatory framework applicable to the entity and the industry in which the entity operates and how the entity is complying with that framework.

.A49 Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when doing the following:

- Considering the characteristics of the subject matter
- Assessing the suitability of the criteria
- Considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist)
- Establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors
- Developing expectations when performing analytical procedures
- Designing and performing procedures
- Evaluating evidence, including the reasonableness of the written representations received by the practitioner

.A50 In some review engagements, the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter.

.A51 Identifying the areas in which a material misstatement of the subject matter is likely to arise enables the practitioner to focus procedures on those areas. For example, the practitioner may focus procedures on areas that are subjective in nature.

Fraud or Noncompliance With Laws or Regulations Affecting the Subject Matter (Ref: par. .21–.23)

.A52 The practitioner may identify fraud or suspected fraud when performing procedures in accordance with the attestation standards. Suspected fraud includes allegations of fraud that come to the practitioner's attention during the course of the review engagement.

.A53 It may be appropriate to make inquiries of the responsible party, the engaging party, or both. Inquiries of management may provide useful information concerning the risks of material misstatements resulting from employee fraud. However, such inquiries are unlikely to provide useful information regarding the risks of material misstatement resulting from fraud involving management.

.A54 Inquiries of other individuals within the responsible party, the engaging party, or both, may provide additional insight into fraud-prevention controls, tone at the top, and the culture of the organization. Such inquiries may be useful in providing the practitioner with a perspective that is different from that of individuals in the reporting process. The responses from these inquiries may also serve to corroborate responses received from management. The practitioner may also obtain information about how effectively management has communicated standards of ethical behavior throughout the organization.

.A55 The following are examples of other individuals within the responsible party, the engaging party, or both to whom the practitioner may direct inquiries about the existence or suspicion of fraud or instances or suspicions of noncompliance with laws or regulations affecting the subject matter:

- Operating personnel not directly involved in the preparation, measurement, or evaluation of the subject matter
- Employees with different levels of authority
- In-house legal counsel
- Chief ethics officer, chief compliance officer, or equivalent person
- The person or persons charged with dealing with allegations of fraud

.A56 Remaining alert for circumstances that may be indicative of fraud or suspected fraud throughout the engagement is important, including when performing procedures near the end of the engagement when time pressures to complete the engagement may exist. For example, evidence may be obtained near the end of the engagement that may call into question the reliability of other evidence obtained or cast doubt on the integrity of the responsible party or, if different, the engaging party.

Responding to Areas in Which a Material Misstatement Is Likely to Arise

Designing and Performing Procedures (Ref: par. .26

.A57 The practitioner's work in forming a conclusion consists of obtaining and evaluating evidence. In addition to inquiry, examples of procedures to obtain evidence include the following:

- Analytical procedures
- Inspection
- Observation
- Confirmation
- Recalculation
- Reperformance

.A58 Evidence obtained through the performance of inquiry and analytical procedures will ordinarily provide the practitioner with a reasonable basis for obtaining limited assurance. However, analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative. Additionally, analytical procedures may not provide sufficient appropriate evidence if an expectation (see paragraph .A66) cannot be developed. Therefore, the practitioner may determine that other procedures are more effective or efficient to obtain limited assurance.

.A59 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.

.A60 In some cases, a subject-matter AT-C section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter AT-C section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

.A61 The results of the practitioner's procedures may modify the practitioner's judgments about areas in which a material misstatement is likely to arise. Those judgments may be referred to as the practitioner's "risk awareness."

.A62 The practitioner may become aware of a matter that causes the practitioner to believe that the subject matter may be materially misstated. For example, when performing analytical procedures, the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. In such cases, the practitioner's investigation of such differences may include inquiring of the responsible party or performing other procedures as appropriate in the circumstances.

Procedures Performed to Obtain Limited Assurance

Inquiries

Reporting Policies (Ref: par. .28*b*)

.A63 Reporting policies are the bases, conventions, rules, and practices applied by an entity in preparing and presenting the subject matter information. The entity's reporting policies are not criteria by themselves but assist the entity in complying with the criteria. For example, reporting policies are expected to be common in sustainability engagements performed in accordance with proposed AT-C sections 325, *Reporting on an Examination of Sustainability Information,* and 330, *Reporting on a Review of Sustainability Information*.

Analytical Procedures (Ref: par. .30–.31)

.A64 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.

.A65 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.

.A66 Analytical procedures in a review engagement are not designed to identify misstatements with the level of precision expected in an examination engagement. In an examination engagement, analytical procedures performed in response to the engagement risk involve developing expectations that are sufficiently precise to identify material misstatements. In a review engagement, the results of analytical procedures may be compared to expectations regarding the direction of trends, relationships, and ratios, rather than to identify misstatements with the level of precision expected in an examination engagement. Further, when significant fluctuations, relationships, or differences are identified, appropriate evidence in a review engagement may often be obtained by making inquiries of the responsible party and considering responses received in light of known engagement circumstances without obtaining additional evidence as required in the case of an examination engagement.

Estimates (Ref: par. .32)

.A67 Regardless of the source or degree of uncertainty, complexity or subjectivity, or the extent of the responsible party's judgment, it is necessary for the responsible party to appropriately apply the criteria when developing estimates, including selecting and using appropriate methods, assumptions, and data.

.A68 When a change from prior periods in a method is not based on new circumstances or new information, or when significant assumptions are inconsistent with each other and with those used in other estimates or with related assumptions used in other areas of the entity's business activities, the practitioner may need to have further discussions with the responsible party about the circumstances and, in doing so, challenge the responsible party regarding the appropriateness of the assumptions used.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations (Ref: par. .34–.36)

.A69 When communicating fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the appropriate level within the responsible party or the engaging party with whom to discuss these matters may depend on whether management of the responsible party may have been involved in the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations. It will also depend on whether the engaging party, if different from the responsible party, is involved in managing the entity. If the engaging party is not involved with managing the entity, the practitioner may communicate to the engaging party the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations involving management, employees who have significant roles in internal control, or where the fraud or noncompliance with laws or regulations results in a material misstatement, unless that communication is prohibited by law, regulation, or ethical requirements.

.A70 The implications of identified fraud or suspected fraud or instances of noncompliance or suspected noncompliance will depend on the relationship of the perpetration and concealment, if any, of the act to specific controls and the level of management or employees involved within the responsible party, especially implications arising from the involvement of the highest authority within the entity.

.A71 In responding to fraud or suspected fraud identified during the review engagement, it may be appropriate, unless prohibited by law, regulation, or ethical standards, for the practitioner to, for example,

- request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
- obtain legal advice about the consequences of different courses of action.
- withdraw from the engagement when withdrawal is possible under applicable law or regulation.

.A72 The actions noted in paragraph .A71 also may be appropriate in responding to instances of noncompliance or suspected noncompliance with laws or regulations identified during the review engagement. It may also be appropriate to describe the matter in a separate paragraph of the practitioner's report, unless either of the following apply:

a. The practitioner is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be material to the subject matter has or is likely to have occurred, in which case, paragraph .67 applies.

b. The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .79–.91 apply.

.A73 The practitioner may consider whether withdrawal from the review engagement, when withdrawal is possible under applicable law or regulation, is necessary when the responsible party or, if different, the engaging party do not take the remedial action that the practitioner considers appropriate in the circumstances, even when the fraud or noncompliance is not material to the subject matter. Factors that may affect the practitioner's decision may include the implications of the failure to take remedial action, which may affect the practitioner's ability to rely on written representations, and the effects of continuing association with the entity. When deciding whether withdrawal from the engagement is necessary, the practitioner may consider seeking legal advice. If withdrawal from the review engagement is not possible under applicable law or regulation, the practitioner may consider alternative actions, including describing the noncompliance in a separate paragraph in the practitioner's report.

Reporting to an Appropriate Authority Outside the Appropriate Party (Ref: par. .36)

.A74 The practitioner's professional duty to maintain the confidentiality of the appropriate parties' information may preclude reporting fraud or noncompliance to a party outside the responsible party or the engaging party. However, the practitioner's legal responsibilities vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, regulation, courts of law, specific requirements of reviews of responsible parties that receive government financial assistance, or waived by agreement. In some circumstances, the practitioner has a statutory duty to report the occurrence of fraud or instances of noncompliance to supervisory authorities. Also, in some circumstances, the practitioner has a duty to report misstatements to authorities when the appropriate party fails to take corrective action. The practitioner may consider it appropriate to obtain legal advice to determine the appropriate course of action in these circumstances.

Considerations Specific to Governmental Entities and Not-for-Profit Organizations

.A75 For governmental entities and not-for-profit organizations, requirements for reporting fraud or noncompliance with laws or regulations, whether or not discovered through the review process, may be subject to specific provisions of the review mandate or related law or regulation. If the practitioner is performing a review 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 review engagement. The practitioner also may be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies.

Designing and Performing Additional Procedures (Ref: par. .39)

.A76 The practitioner's judgment about the nature, timing, and extent of additional procedures that are needed to obtain evidence to either conclude that a material misstatement is not likely or determine that a material misstatement exists is guided by the following:

- Information obtained from the practitioner's evaluation of the results of the procedures already performed
- The practitioner's updated understanding of the subject matter and other engagement circumstances obtained throughout the course of the engagement
- The practitioner's view on the persuasiveness of evidence needed to address the matter that causes the practitioner to believe that the subject matter information may be materially misstated

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: par. .40–.41)

.A77 Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in the aggregate, they are material when forming the practitioner's conclusion.

.A78 "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial will be of a wholly different (smaller) order of magnitude, or of a wholly different nature, than those that would be determined to be material, and they will be misstatements 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 misstatement is considered not to be clearly trivial.

.A79 The nature of identified misstatements and the circumstances of their occurrence may indicate that the misstatements may be a result of fraud. Misstatements due to fraud may result from intentional

- manipulation, falsification, or alteration of information or supporting documentation from which the subject matter information is prepared; or
- misrepresentation in, or omission from, the subject matter information.

.A80 A misstatement due to fraud may have implications for other aspects of the engagement. For example, fraud involving senior management may bring into question the reliability of information previously obtained and intended to be used as evidence, as doubts may exist about the completeness and truthfulness of representations made and about the authenticity of records and documents.

Communicating and Correcting Misstatements (Ref: par. .43 and .45)

.A81 Timely communication of misstatements to the responsible party is important because it enables the responsible party to evaluate whether subject matter information is misstated, inform the practitioner if the responsible party disagrees, and take action as necessary.

.A82 Law or regulation may restrict the practitioner's communication of certain misstatements to the responsible party. For example, laws or regulations may specifically prohibit a communication or other action that might prejudice an investigation by an appropriate authority into an instance of noncompliance or suspected noncompliance with laws or regulations. In some circumstances, potential conflicts between the practitioner's obligations of confidentiality and obligations to communicate may be complex. In such cases, the practitioner may consider seeking legal advice.

.A83 The practitioner's understanding of the responsible party's reasons for not making the corrections may indicate possible bias in the responsible party's judgments.

Evaluating the Description of Criteria (Ref: par. .47)

.A84 The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter.

.A85 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.

Subsequent Events and Subsequently Discovered Facts (Ref: par. .48–.49 and .55*c*)

.A86 For certain subject-matter AT-C sections, specific subsequent event requirements and related application material have been developed for engagement performance and reporting.

.A87 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.

.A88 If the responsible party does not appropriately reflect a subsequent event in the subject matter or assertion for which disclosure is necessary to prevent users of the practitioner's report from being misled, appropriate actions the practitioner may take include

- disclosing the event in the report and modifying the practitioner's conclusion.
- withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

.A89 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 requesting the appropriate party's cooperation in whatever investigation or further action may be necessary. The specific actions to be taken in a particular case by the appropriate party and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent.

.A90 Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner's report is necessary. This may be the case, for example, when

a. the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and
b. issuance of a subsequent report is not imminent.

If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends on the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.

Written Representations (Ref: par. .53-.54 and .56)

.A91 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A92 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.

.A93 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.

.A94 In some cases, the responsible party may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the practitioner to accept such wording if, in the practitioner's professional judgment, the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.

.A95 When obtaining written representations, occasionally, circumstances may prevent the responsible party from signing the representation letter and returning it to the practitioner on the date of the practitioner's report. In those circumstances, the practitioner may accept the responsible party's oral confirmation, on or before the date of the practitioner's report, that the responsible party has reviewed the final representation letter and will sign the representation letter without exception as of the date of the practitioner's report, thereby providing sufficient appropriate evidence for the practitioner to date the report. However, possession of the signed representation letter prior to releasing the practitioner's report is necessary because paragraph .53 requires that the representations be in the form of a written letter from the responsible party. Furthermore, when there are delays in releasing the report, a fact may become known to the practitioner that, had it been known to the practitioner at the date of the practitioner's report, might affect the practitioner's report and result in the need for updated representations. Paragraphs .48–.52 address the practitioner's responsibilities in such circumstances.

.A96 The responsible party's acknowledgment of its responsibilities may include responsibility for the design, implementation, and maintenance of internal control relevant to the measurement or evaluation of the subject matter or assertion such that it is free from material misstatement.

.A97 Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .54 and .60*a* (making inquiries of the responsible party and restricting the use of the practitioner's report).

.A98 The practitioner may request additional representations regarding matters specific to the responsible party's business or industry.

Requested Representations Not Provided or Not Reliable (Ref: par. .59–.60 and .88)

.A99 The engaging party's refusal to furnish written representations constitutes a limitation on the scope of the review engagement. Such refusal is often sufficient to preclude an unmodified conclusion and, particularly with respect to the representations in paragraph .53, may cause the practitioner to withdraw, when withdrawal is possible under applicable law or regulation, or disclaim a conclusion if withdrawal from the engagement is not practicable. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified conclusion is appropriate.

.A100 The practitioner may determine, after performing the procedures in items (*a*)–(*b*) of paragraph .59, that an oral representation may provide a portion of the evidence needed with respect to the matter addressed by the representation.

.A101 Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:

- When the engaging party does not have a relationship with the responsible party
- When the review engagement is undertaken against the wishes of the responsible party, for example, when required by law or regulation

In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the evidence to support a conclusion that the responsible party has taken responsibility for the subject matter.

.A102 Even when the responsible party provides oral responses to the matters in paragraph .53, 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.

.A103 Paragraph .12 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 .53*a*, application of paragraph .60*a* requires the practitioner to obtain an oral assertion when a written assertion is not obtained. Paragraph .60*b* applies when the responsible party provides neither a written nor an oral assertion.

Forming the Conclusion

Evaluating the Evidence Obtained (Ref: par. .61)

.A104 Sufficient appropriate evidence is necessary to support the practitioner's conclusion and report.

.A105 The sufficiency and appropriateness of evidence are interrelated. *Sufficiency of evidence* is the measure of the quantity of evidence. The quantity of evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.

.A106 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.

.A107 Whether sufficient appropriate evidence has been obtained on which to base the practitioner's conclusion is a matter of professional judgment. In some circumstances, the practitioner may not have obtained the evidence that the practitioner had expected to obtain through the design and performance of procedures. In these circumstances, the practitioner may

- extend the work performed, or
- perform other procedures that, in the practitioner's professional judgment, are necessary in the circumstances.

When neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion, a scope limitation exists, and paragraph .88 applies.

Concluding (Ref: par. .63)

.A108 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

.A109 A review 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 planned procedures were based may come to the practitioner's attention. Examples of such information include the following:

- The extent of the misstatements that the practitioner detects is greater than expected. (This may alter the practitioner's professional judgment about the reliability of particular sources of information.)
- The practitioner may become aware of discrepancies in relevant information or conflicting or missing evidence.
- Procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.

.A110 In making the evaluation required by paragraph .65, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:

- The measurement or evaluation methods used when the criteria allow for choice among methods

- Significant interpretations made in applying the criteria in the engagement circumstances
- Subsequent events, depending on their nature and significance
- Whether there have been any changes in the measurement or evaluation methods used

.A111 Paragraph .65 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. .68)

.A112 Oral and other forms of expressing a conclusion can be misunderstood without the support of a written practitioner's report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the internet.

.A113 This section of this proposed SSAE does not require a standardized format for reporting on all review engagements. Instead, it identifies the basic elements that the practitioner's report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.

.A114 The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraph .69 or may issue a report that expands on or supplements those elements. In addition to the basic elements, a report may include information and explanations that are not intended to affect the practitioner's conclusion, for example, detail about the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved in the engagement, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .86, additional information is clearly separated from the practitioner's conclusion and phrased in a manner that makes it clear that it is not intended to detract from that conclusion or to imply that the practitioner has obtained reasonable assurance.

.A115 All the following reporting options are available to a practitioner, except when the circumstances described in paragraph .74 exist:

The practitioner's report may state that the practitioner reviewed	and	concludes on
• the subject matter		• the subject matter
• the responsible party's assertion		• the responsible party's assertion

The practitioner's report may state that the practitioner reviewed	and	concludes on
• the responsible party's assertion		• the subject matter

Content of the Practitioner's Report

*Title (Ref: par. .69*a*)*

.A116 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 relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

*Criteria (Ref: par. .69*d*)*

.A117 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 .A110.

*Relevant Responsibilities (Ref: par. .69*e–f*)*

.A118 Identifying relevant responsibilities informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to independently express a conclusion about it. The statement in the report may express the responsibility in different ways depending on the nature of the engagement. For example, the responsible party is responsible for

- the measurement or evaluation of the subject matter.
- the preparation or fair presentation of the subject matter.
- its assertion being fairly stated.

.A119 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 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. .69*g*)*

.A120 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 310, *Reporting on Pro Forma Financial Information*, of the attestation standards established by the AICPA.

.A121 The language in paragraph .69*g*ii1 may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .69*g*ii1 include "to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to

- be presented in accordance with the criteria."
- meet the objectives." (For example, when the objectives are the criteria)

*Relevant Ethical Requirements (Ref: par. .69*h*)*

.A122 Relevant ethical requirements consist of the AICPA code together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA code applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

.A123 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.

*Inherent Limitations (Ref: par. .69*i*)*

.A124 In some cases, identification of specific inherent limitations may be required by an AT-C section. To communicate specific inherent limitations, the illustrative practitioner's review report on pro forma financial information under AT-C section 310, for example, indicates that the objective of pro forma financial information is to show what the significant effects on the historical financial information might have been had the transaction (or event) occurred at an earlier date. It also indicates that the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the specified transaction (or event) actually occurred earlier.[58] When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.

*Description of the Work Performed (Ref: par. .69*j*)*

.A125 The summary of the work performed helps the intended users understand the basis for the practitioner's conclusion. The summary may be as brief as "the procedures we performed were based on our professional judgment and consisted primarily of analytical procedures and

[58] Paragraph .18*k* and examples 2, "Practitioner's Review Report on Pro Forma Financial Information: Unmodified Conclusion," and 3, "Practitioner's Examination Report on Pro Forma Financial Information at Year-End With a Review of Pro Forma Financial Information for a Subsequent Interim Date: Unmodified Opinion and Unmodified Conclusion," in paragraph .A24 of AT-C section 310, *Reporting on Pro Forma Financial Information*.

inquiries" or may be more detailed. Factors to consider in determining the level of detail to be provided in the summary of the work performed may include the following:

- Circumstances specific to the entity (for example, the differing nature of the entity's activities compared to those typical in the industry)
- Specific engagement circumstances affecting the nature and extent of the procedures performed
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation

.A126 It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the practitioner's conclusion. In most cases, this will not involve detailing the entire work plan. On the other hand, it is important that the description of the work is not vague or ambiguous but also not written in a way that is overstated or embellished.

*Conclusion (Ref: par. .69*k*)*

.A127 The practitioner's conclusion can be worded either in terms of the subject matter and the criteria (for example, "Based on our review, we are not aware of any material modifications that should be made to the XYZ schedule in order for it to be in accordance with the ABC criteria.") or in terms of an assertion made by the responsible party (for example, "Based on our review, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.").

.A128 A single practitioner's report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and review level related to others, or an unmodified conclusion on some aspects or assertions and a modified conclusion on others).

.A129 A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter, in the written assertion about the subject matter, or in the report, even if the subject matter for the preceding date or period is not presented.

*Location (Ref: par. .69*m*)*

.A130 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.

Dating the Practitioner's Report (Ref: par. .70)

.A131 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.

.A132 Because the practitioner expresses a conclusion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate 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 (*.12, .53a, and .71–.72*)

.A133 A practitioner's report for which the conditions in paragraph .71 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.

.A134 A practitioner's report that is required by paragraph .71 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.

.A135 A practitioner may also issue a single combined practitioner's report that includes

- *a.* a practitioner's report that is required by paragraph .71 to include an alert that restricts its use and
- *b.* a report that is for general use.

.A136 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 .71 to include such an alert. In such circumstances, the use of the general-use report is not affected.

.A137 The representations required by paragraph .53 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 .71*c* calls for an alert that restricts the use of the practitioner's report to the engaging party.

.A138 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.

.A139 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.

.A140 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.

.A141 In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to the restricted-use report in which it is not named as a specified party.

Reference to a Practitioner's Specialist (Ref: par. .76)

.A142 The practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's specialist.

Engagements Conducted in Accordance With Both the Attestation Standards and Another Set of Standards (Ref: par. .77–.78)

.A143 The reference to the other set of standards follows the identification of the relevant AICPA standards, for example, "Our review was conducted in accordance with attestation standards established by the AICPA and in accordance with [*identify the standards, e.g., the standards of the Public Company Accounting Oversight Board (United States)*]."

.A144 A reference to "the standards" of the PCAOB indicates that the practitioner has complied not only with the PCAOB interim attestation standards, but also with the related professional practice standards of the PCAOB, including its independence rules; whereas a reference to "the interim attestation standards of the Public Company Accounting Oversight Board (United States)" indicates compliance only with the interim attestation standards of the PCAOB. The practitioner performing an attestation engagement in these circumstances may, nevertheless, be responsible for complying with the independence and other related professional practice standards of the PCAOB if, for example, the attestation engagement is subject to regulatory oversight that requires compliance with those rules. Whether the practitioner conducts an attestation engagement in accordance with the standards of the PCAOB or the interim attestation standards of the PCAOB depends on the circumstances of the engagement.

.A145 A practitioner may be required by law or regulation, or may otherwise determine it is more appropriate, to use the form of attestation report included in the other set of standards, adjusted to reflect that the engagement was also performed in accordance with AICPA attestation standards. This may be an acceptable form of report if it includes all the required reporting elements in paragraph .69.

Modifications to the Practitioner's Report

Misstatement of Subject Matter and Scope Limitations (Ref: par. .67, .79, .81, .83, and .88)

.A146 The three types of modified conclusions are a qualified conclusion, an adverse conclusion, and a disclaimer of conclusion. The decision regarding what type of modified conclusion is appropriate depends on the following:

a. The nature of the matter or matters giving rise to the modification (that is, whether a material modification is, or in the case of an inability to obtain sufficient appropriate evidence, may be necessary for the subject matter of the engagement to be in accordance with (or based on) the criteria)

b. The practitioner's professional judgment about the pervasiveness of the effects or possible effects of the matter or matters on the subject matter of the engagement

.A147 A practitioner may express an unmodified conclusion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.

.A148 A practitioner who is engaged to perform a review may become aware that the subject matter is misstated. If the misstatement is not corrected, in accordance with paragraph .79*b*, the practitioner is required to modify the conclusion or withdraw from the engagement when practicable.

.A149 The nature of the matter giving rise to the modification, and the practitioner's judgment about the pervasiveness of its effects or possible effects on the subject matter, affect the type of conclusion to be expressed.

.A150 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.

.A151 Examples of a qualified conclusion or an adverse conclusion are as follows:

- *Qualified conclusion (an example for a material but not pervasive misstatement).* "Based on our review, except for the matter or matters described in [*the separate paragraph that describes the nature of the matter or matters giving rise to the modification*], we are not aware of any material modifications that should be made to [*the subject matter*] for it to be in accordance with [*the criteria*]."
- *Qualified conclusion (an example for a scope limitation when the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive).* "Based on our review, except for the possible effects of the matter (or matters) described in [*the separate paragraph that describes the nature of the matter or matters giving rise to the modification*], we are not aware of any material modifications that should be made to [*the subject matter*] for it to be in accordance with [*the criteria*]."
- *Adverse conclusion (an example for a misstatement that is both material and pervasive).* "Based on our review, because of the significance of the matter (or matters) described in [*the separate paragraph that describes the nature of the matter or matters giving rise to the modification*], the [*subject matter*] is not in accordance with [*the criteria*]. Had we been engaged to perform an examination, other matters might have come to our attention."

.A152 The following table illustrates how the practitioner's professional judgment about the nature of the matter or matters giving rise to the modification and the pervasiveness of the effects or possible effects on the subject matter affect the type of practitioner's report to be issued:

Nature of Matter Giving Rise to the Modification	Practitioner's Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter	
	Material but Not Pervasive	Material and Pervasive
Scope limitation. An inability to obtain sufficient appropriate evidence.	Qualified conclusion	Disclaimer of conclusion

Nature of Matter Giving Rise to the Modification	Practitioner's Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter	
	Material but Not Pervasive	Material and Pervasive
Subject matter is materially misstated.	Qualified conclusion	Adverse conclusion

.A153 A scope limitation may arise from the following:

a. Circumstances beyond the control of the appropriate party. For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.

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 awareness of the areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated and for engagement acceptance and continuance.

.A154 The procedures performed in a review engagement are, by definition, limited compared with those performed in an examination engagement. Limitations known to exist prior to accepting a review engagement are a relevant consideration when establishing whether the preconditions for a review engagement are present, in particular, whether the practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's conclusion. (See proposed AT-C section 105.)[59] If a further limitation is imposed by the appropriate party after a review engagement has been accepted, depending on the practitioner's conclusion on the possible effects on the subject matter of undetected misstatements, if any, it may be appropriate to express a qualified conclusion, withdraw from the engagement when withdrawal is practicable, or disclaim a conclusion if the practitioner determines it is not practicable to withdraw.

.A155 Paragraph .88 allows the practitioner to disclaim a conclusion due to a scope limitation when withdrawal is not practicable. The practicality of withdrawing from the engagement may depend on the stage of completion of the engagement at the time that the scope limitation is

[59] Paragraph .34*a* of proposed AT-C section 105.

imposed. If the practitioner has substantially completed the engagement, the practitioner may decide to complete the engagement to the extent possible, disclaim a conclusion, and explain the scope limitation in the practitioner's report.

.A156 In certain circumstances, withdrawal from the engagement may not be possible if the practitioner is required by law or regulation to accept or continue the engagement. This may be the case for a practitioner who is appointed or elected to review subject matter of governmental entities. It may also be the case in circumstances in which the practitioner is appointed to review the subject matter covering a specific period or is appointed for a specific period and is prohibited from withdrawing before the completion of the engagement or before the end of that period. In such circumstances, the practitioner may consider it necessary to include a separate paragraph in the practitioner's report to provide users of the practitioner's report with an explanation of the matter.

.A157 Withdrawal may not be practicable when, for example, the practitioner is aware, based on the agreed-upon terms of the engagement, that the engaging party is required to report to a regulator on subject matter, and there is a regulatory requirement that such report will be accompanied by a practitioner's review report. In such circumstances, the practitioner may determine that withdrawal is not practicable.

.A158 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 .54 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 a conclusion about the subject matter, paragraph .60*a* indicates that this would not cause a scope limitation. Further, paragraph .60*a* requires that the practitioner's report, in these circumstances, contain an alert paragraph that restricts the use of the report to the engaging party.

.A159 The practitioner's decision to express a modified conclusion or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the procedures that the practitioner was unable to perform on the practitioner's ability to express a conclusion. The 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.

Responsible Party Refuses to Provide a Written Assertion (Ref: par. .94)

.A160 The following is an example of the disclosure required by paragraph .94:

> Attestation standards established by the AICPA require that we request a written statement from [*identify the responsible party*] stating that [*identify the subject matter*] that we reviewed has been accurately measured or evaluated. We requested that [*identify the responsible party*] provide such a written statement but [*identify the responsible party*] refused to do so.

.A161 The practitioner's report discussed in paragraph .94 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.

.A162 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 a conclusion, or withdraw from the engagement when withdrawal is practicable, and the practitioner determines to issue a report, the practitioner need not restrict the use of the practitioner's report but is required by paragraph .80 to describe the nature of the matter that gave rise to the modified conclusion. Paragraph .A133 notes, however, that the practitioner is not precluded from restricting the use of any report.

Other Information

Agreeing on the Scope and Timing of the Other information (Ref: par. .95)

.A163 The practitioner's responsibilities with respect to comparative information vary based on the engagement circumstances. In some circumstances, comparative information may be covered by the practitioner's conclusion or a predecessor's attestation engagement. If the comparative information is not covered by the practitioner's conclusion, then it is also other information.

.A164 If the practitioner is willing to permit the inclusion of the practitioner's report in a document or documents that contain other information, the practitioner's responsibilities relating to other information apply regardless of whether the other information is obtained by the practitioner prior to or after the date of the practitioner's report.

.A165 The practitioner may consider obtaining a written acknowledgment from the appropriate party as to what constitutes other information in the engagement letter, an amendment to the engagement letter, a representation letter, or some other written communication.

Reading the Other Information (Ref: par. .96)

.A166 A material inconsistency may raise doubt about the conclusions drawn from evidence previously obtained and, possibly, about the basis for the practitioner's conclusion on the information subject to the review engagement.

.A167 A material misstatement of fact may undermine the credibility of the document containing the information subject to the review engagement.

.A168 While remaining alert for indications that a material misstatement of fact exists or the other information is otherwise misleading, the practitioner may focus on those matters in the other information that are of sufficient importance that a misstatement of the other information in relation to those matters could be material.

.A169 Remaining alert for indications that a material misstatement of fact exists or the other information is otherwise misleading could potentially result in the practitioner identifying such matters as the following:

- Information that omits or obscures information necessary for a user to appropriately understand a matter disclosed in the other information
- An internal inconsistency in the other information that leads the practitioner to believe that the other information appears to be materially misstated

Responding to Matters Related to the Other Information (Ref: par. .95 and .98)

.A170 Further actions that may be appropriate if the practitioner identifies a material inconsistency, a material misstatement of fact, or other information that is otherwise misleading include, for example, the following:

- Requesting the appropriate party to consult with a qualified third party, such as the appropriate party's legal counsel
- Obtaining legal advice about the consequences of different courses of action
- If required or permissible, communicating with third parties (for example, a regulator)
- Describing the material inconsistency in the practitioner's report
- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation

.A171 The practitioner is not required to reference the other information in the practitioner's report on the information subject to the review engagement. However, the practitioner may include a separate paragraph clarifying the practitioner's association with the information to reduce the risk that a user may infer a level of assurance that is not intended. The following is an example of a separate paragraph that the practitioner may include in the practitioner's report on the information subject to the review engagement:

> The [*identify the other information*] is not part of the [*identity the subject matter or assertion*]. Such information has not been subjected to the procedures applied in the review of the [*identify the subject matter or assertion*], and accordingly, we do not express an opinion, a conclusion, or provide any assurance on it.

Communication Responsibilities (Ref: par. .101)

.A172 Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party include deficiencies in internal control identified during the engagement or bias in the measurement, evaluation, or disclosure of the subject matter.

Exhibit — Illustrative Practitioner's Review Reports

.A173 The illustrative practitioner's review reports in this exhibit meet the applicable reporting requirements in paragraphs .68–.94. A practitioner may use alternative language in drafting a review report, provided that the language meets the applicable requirements in paragraphs .68–.94. The criteria for evaluating the subject matter in examples 1, 3, 4, 5, and 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 2 are suitable but available only to specified parties; therefore, use of this report is restricted to the specified parties who either participated in the establishment of the criteria or can be presumed to have an adequate understanding of the criteria. (See paragraph .72 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 see paragraph .73 for the content of that paragraph when the engagement is also performed in accordance with *Government Auditing Standards*.)

Example 1: Practitioner's Review Report on Subject Matter; Unmodified Conclusion

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

Independent Accountant's Report

[*Appropriate addressee*]

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

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

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

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

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

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

Based on our review, we are not aware of any material modifications that should be made to [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*], in order for it to be in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*].

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Example 2: Practitioner's Review Report on an Assertion; Unmodified Conclusion; Use of the Report Is Restricted to Specified Parties

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

Independent Accountant's Report

[*Appropriate addressee*]

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

We conducted our review in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertion in order for it to be fairly stated. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

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

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

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

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

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

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

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Example 3: Practitioner's Review Report on Subject Matter; Qualified Conclusion Due to a Material Misstatement of the Subject Matter

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses a qualified conclusion because the review identified conditions that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter, based on the criteria. The practitioner has reviewed the subject matter and is also reporting on the subject matter.

Independent Accountant's Report

[*Appropriate addressee*]

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

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

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

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

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

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

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

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

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Example 4: Practitioner's Review Report on Subject Matter; Qualified Conclusion Because the Practitioner Is Unable to Obtain Sufficient Appropriate Evidence

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses a qualified conclusion because the practitioner is unable to obtain sufficient appropriate evidence on which to base the conclusion and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive. The practitioner has reviewed the subject matter and is also reporting on the subject matter.

Independent Accountant's Report

[*Appropriate addressee*]

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

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

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

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

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

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

[*Describe the nature of the matter giving rise to the modification.*]

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

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Example 5: Practitioner's Review Report on Subject Matter; Disclaimer of Conclusion

The following is an illustrative practitioner's report for a review engagement in which the practitioner disclaims a conclusion because of the practitioner's inability to obtain sufficient appropriate evidence and the practitioner concludes that the possible effect on the subject matter of undetected misstatements, if any, could be both material and pervasive. The practitioner has further determined that it is not practicable to withdraw.

Independent Practitioner's Report

[*Appropriate addressee*]

We were engaged to review [*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 their responsibility, for example, presenting the schedule of investment returns*] in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express a conclusion on [*identify the subject matter, for example, presenting the schedule of investment returns*] based on conducting a review in accordance with attestation standards established by the AICPA. Because of the limitation on the scope of our review discussed in [*the separate paragraph that describes the nature of the matter giving rise to the modification*], the scope of our work was not sufficient to enable us to express, and we do not express, a conclusion on whether we are aware of any material modifications that should be made to [*identify the subject matter, for example, presenting the schedule of investment returns*] in order for it to be in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*].

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

[*Describe the nature of the matter giving rise to the disclaimer.*]

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Example 6: Practitioner's Review Report on Subject Matter; Adverse Conclusion

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses an adverse conclusion because the review identified conditions that, individually or in combination, result in one or more material and pervasive misstatements of the subject matter based on the criteria. The practitioner has reviewed the subject matter and is also reporting on the subject matter.

Independent Accountant's Report

[*Appropriate addressee*]

We have undertaken a review of [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*]. XYZ Company's management is responsible for [*identify the subject matter, for example, presenting the schedule of investment returns*] in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express a conclusion on [*identify the subject matter, for example, the schedule of investment returns*] based on our review.
We conducted our review in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform this engagement to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our adverse conclusion.

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

XYZ Company has not [*describe the material and pervasive misstatement of the subject matter*]. Had XYZ Company properly accounted for [*describe the material and pervasive misstatement of the subject matter*], many elements in [*identify the subject matter, for example, the schedule of investment returns*] would have been materially affected. The effects on the [*identify the subject matter, for example, the schedule of investment returns*] have not been determined.

Based on our review, because of the significance of the matter described in the preceding paragraph, [*identify the subject matter, for example, the schedule of investment returns*] is not in accordance with [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Had we been engaged to perform an examination, other matters might have come to our attention.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

PROPOSED AT-C SECTION 325

Reporting on an Examination of Sustainability Information

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Proposed AT-C Section 325
Reporting on an Examination of Sustainability Information

Introduction

01. This section of this proposed Statement on Standards for Attestation Engagements (SSAE) contains performance and reporting requirements and application material for a practitioner performing an assertion-based examination engagement[1] on sustainability information.

02. For purposes of this section of this proposed SSAE, *sustainability information* is information about sustainability matters. An entity's disclosures about such matters may relate to several different topics (for example, climate, labor practices, biodiversity) and aspects of topics (for example, risks and opportunities, metrics, and key performance indicators). Law or regulation or sustainability reporting frameworks may describe sustainability matters, topics, or aspects of topics in different ways and may also provide requirements or guidance for the entity in determining the sustainability information to be reported. (Ref: par. A1–A2, A7, A18, and appendix)

03. Sustainability information is reported in accordance with the criteria. As noted in proposed AT-C section 105, *Concepts Common to All Attestation Engagements*,[2] an examination engagement is predicated on the concept that a party other than the practitioner makes an assertion about whether the underlying subject matter is measured or evaluated in accordance with suitable criteria. In the absence of indications to the contrary, criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process are presumed to be suitable. In this section of this proposed SSAE, such criteria are referred to as *framework criteria*. (Ref: par. A3–A4 and appendix)

04. The criteria may specify a process by which the entity identifies sustainability matters to be reported, including the application of materiality in identifying such matters and the reporting boundary. In this section of this proposed SSAE, "the entity's process to identify sustainability information to be reported" refers to the process applied by the entity to determine the sustainability matters to be reported in the sustainability information and the reporting boundary. (Ref: par. A5–A6)

05. Depending on the criteria, the sustainability information may be for a single entity or may include sustainability information for entities that are part of a group or for other entities in the reporting entity's value chain.

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[1] AT-C section 206, *Direct Examination Engagements*, states that AT-C section 206 is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of proposed AT-C section 205, *Assertion-Based Examination Engagements*, which includes this section of this proposed SSAE. Accordingly, when the term *examination* is used in this section of the proposed SSAE, it refers to an assertion-based examination.

[2] Paragraph .04 of proposed AT-C section 105, *Concepts Common to All Attestation Engagements.* All AT-C sections can be found in AICPA *Professional Standards.*

06. The sustainability information presented by an entity may be limited to selected metrics, targets, or key performance indicators. Alternatively, the sustainability information may cover many different aspects of topics as required by the framework criteria or by law or regulation or that the entity chooses to present voluntarily. (Ref: par. A18 and appendix)

07. The scope of the examination engagement may extend to all the sustainability information reported by the entity or only part of that information. For example, some jurisdictions may require that the entirety of the sustainability information reported by the entity be included in the scope of the practitioner's sustainability attestation engagement. However, in some jurisdictions, law or regulation may require that, for example, only climate-related disclosures in an entity's sustainability information be included in the scope of the practitioner's sustainability attestation engagement. (Ref: par. A7)

08. When the sustainability disclosures relate to a number of topics and aspects of topics, the practitioner may be engaged to provide a separate opinion on each topic or on each aspect of a topic (or a separate conclusion, in an engagement that also includes a review of specified topics or aspects of topics). References in this section of this proposed SSAE to the opinion or conclusion in the practitioner's report include each opinion or conclusion when separate opinions or conclusions are provided.

Scope of This Proposed Section

09. This section of this proposed SSAE applies to examination engagements to report on sustainability information resulting from the application of criteria to measure or evaluate sustainability matters. (Ref: par. A8)

Relationship With the Audited Financial Statements

10. This section of this proposed SSAE does not address sustainability information that is required to be included in the entity's financial statements in accordance with the applicable financial reporting framework. The auditor of the entity's financial statements is required to apply the applicable auditing standards to such information.

11. Sustainability information may be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (for example, a separately identified report within the annual report or as part of the management report), in an integrated report, or through some other reporting mechanism. When the sustainability information is presented together with the entity's audited financial statements, the audited financial statements are considered to be other information for purposes of this section of this proposed SSAE.

The Practitioner's Responsibility to Comply With Requirements in This Proposed Section and Other AT-C Sections

12. In addition to complying with this section of this proposed SSAE, a practitioner is required to comply with proposed AT-C section 105 and proposed AT-C section 205, *Assertion-Based*

Examination Engagements. In some cases, this section of this proposed SSAE repeats or refers to requirements in proposed AT-C sections 105 and 205 when describing those requirements in the context of an examination of sustainability information:

- The phrase "in applying AT-C section [*number*]" is used to indicate that, as part of performing the specified requirement in that other AT-C section, the practitioner is also required to do something more.
- The phrase "in accordance with AT-C section [*number*]" is used to reference the requirement in that other AT-C section, either in its entirety or in part, for purposes of providing a link to application material relevant to sustainability attestation engagements. In circumstances in which this section of this proposed SSAE repeats a requirement for purposes of providing a link to application material, the requirement repeated in this section of this proposed SSAE may be expressed in terms specific to a sustainability attestation engagement.

Although not all the requirements in proposed AT-C sections 105 and 205 are repeated or referred to in this section of this proposed SSAE, the practitioner is responsible for complying with all the requirements in those sections, as applicable.

Effective Date

13. If issued as final, this section of this proposed SSAE will be effective for practitioners' examination engagements on sustainability information beginning on or after June 15, 2029. Early implementation is permitted only if the practitioner also implements AT-C sections 105 and 205, included in this proposed SSAE, early.

Objectives

14. In conducting an examination of sustainability information, the objectives of the practitioner are to

a. obtain reasonable assurance about whether the sustainability matters as measured or evaluated against the criteria are free from material misstatement.

b. express an opinion in a written report about whether

   i. the sustainability information is in accordance with the criteria, in all material respects, or

   ii. management's assertion is fairly stated, in all material respects.

c. communicate further as required by this section of this proposed SSAE and any other relevant AT-C sections.

Definitions

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

Comparative information. Information for one or more prior periods presented for comparison with the current-period sustainability information. Comparative information may be presented as of multiple dates or cover multiple periods.

Component. An entity, business unit, function, or business activity, or some combination thereof, within the reporting boundary, determined by the practitioner for purposes of planning and performing the sustainability attestation engagement. (Ref: par. A9–A10)

Group. A reporting entity for which group sustainability information is prepared. (Ref: par. A11)

Group sustainability attestation engagement. An attestation engagement on group sustainability information.

Group sustainability information. Sustainability information that includes the sustainability information of more than one entity or business unit in accordance with the criteria. (Ref: par. A12)

Reporting boundary. Activities, operations, relationships, or resources to be included in the entity's sustainability information. For purposes of this section of this proposed SSAE, the reporting boundary is determined in accordance with the criteria. (Ref: par. A13–A14)

Service organization. An organization, or segment of an organization, that provides services to user entities. (Ref: par. A15)

Sustainability disclosures. Sustainability information about an aspect of a topic. (Ref: par. A16–A17)

Sustainability information. Information about sustainability matters. An assertion about whether the sustainability matters are in accordance with the criteria is a form of sustainability information.

For purposes of this section of this proposed SSAE,

a. sustainability information results from measuring or evaluating sustainability matters against the criteria.

b. sustainability information that is the subject of the attestation engagement is the equivalent of "subject matter information," as defined in proposed AT-C section 105.[3]

c. references to "sustainability information to be reported" are intended to relate to the entirety of the sustainability information to be reported by the entity and are used

[3] Paragraph .12 of proposed AT-C section 105.

primarily in the context of the practitioner's preliminary knowledge of the engagement circumstances. (Ref: par. A7)

d. if the attestation engagement does not cover the entirety of the sustainability information reported by the entity, the term "sustainability information" is to be read as the information that will be covered by the practitioner's opinion. (Ref: par. A18)

Sustainability matters. Environmental, social, and governance (ESG), or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting sustainability information. For purposes of this section of this proposed SSAE, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of "underlying subject matter," as defined in proposed AT-C section 105.[4] (Ref: par. A19–A23)

Underlying assertions. Representations by management that are embodied in the sustainability information, as used by the practitioner to consider the types of potential misstatements that may occur. (Ref: par. A24)

16. References in proposed AT-C section 205 to *appropriate level for the subject matter* are to be read as *underlying assertion level for the sustainability disclosures* for purposes of applying this section of this proposed SSAE.

Requirements

Requirements in This Section That Adapt the Related Requirements in Proposed AT-C Section 205

17. The practitioner should apply the requirements in the paragraphs identified in items (*a*)–(*b*), which adapt the related requirements in proposed AT-C section 205 to achieve the objective of those requirements in the circumstances of an examination engagement on sustainability information, when the practitioner performs procedures that address the following in a sustainability information examination engagement:

a. Control activities (Paragraph 54 adapts the related requirement in proposed AT-C section 205.[5])

b. Design and implementation of controls (Paragraph 55 adapts the related requirement in proposed AT-C section 205.[6])

Management and Those Charged With Governance

18. When this section of this proposed SSAE requires the practitioner to inquire of, request communications from, communicate with, or otherwise interact with management of the entity for

[4] Paragraph .12 of proposed AT-C section 105.
[5] Paragraph .44 of proposed AT-C section 205.
[6] Paragraph .45 of proposed AT-C section 205.

which the practitioner is performing an attestation engagement on sustainability information, the practitioner should determine the appropriate person or persons with whom to interact. This should include consideration of which person or persons have the appropriate responsibilities for, and knowledge of, the matters concerned and may include some or all of those charged with governance. (Ref: par. A25–A26)

Preconditions for an Examination Engagement

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances

19. In applying proposed AT-C section 105,[7] the practitioner should obtain a preliminary knowledge of

a. the sustainability information to be reported, including whether comparative information will be presented; and
b. whether the scope of the examination engagement encompasses all or part of the sustainability information to be reported by the entity. (Ref: par. A27–A28)

20. The practitioner should consider, on the basis of a preliminary knowledge of the engagement circumstances and discussion with management, whether the entity has a process to identify sustainability information to be reported. (Ref: par. A4, A29)

Appropriate Sustainability Matters

21. In applying proposed AT-C section 105,[8] the practitioner should determine whether the scope of the examination engagement is appropriate, particularly when the scope of the examination engagement excludes part of the sustainability information to be reported by the entity. (Ref: par. A30–A34)

Suitability and Availability of Criteria

22. In applying proposed AT-C section 105,[9] when determining that the criteria to be applied in the measurement or evaluation of the sustainability matters are suitable, the practitioner should evaluate whether there are criteria for all the sustainability information subject to the attestation engagement, including identifying whether they are framework criteria, entity-developed criteria, or a combination of both. (Ref: par. A35)

Evidence to Support the Practitioner's Opinion

[7] Paragraph .29 of proposed AT-C section 105.
[8] Paragraph .31 of proposed AT-C section 105.
[9] Paragraph .33 of proposed AT-C section 105.

23. In accordance with proposed AT-C section 105,[10] the practitioner should determine whether the practitioner expects to be able to obtain the evidence needed to support the practitioner's opinion. (Ref: par. A36)

Terms of the Examination Engagement

Agreeing the Terms of the Examination Engagement

24. In applying proposed AT-C section 205,[11] the practitioner should include in the agreed-upon terms of the engagement the following matters:

a. The sustainability information within the scope of the examination engagement

b. The reporting boundary within the scope of the examination engagement (Ref: par. A37)

c. If the engagement is a combined examination and review engagement, the sustainability information that is subject to each level of assurance

25. In applying proposed AT-C section 205,[12] the practitioner should include in the agreed-upon terms of the engagement the responsibilities of management or those charged with governance, as appropriate, for

a. referring to or describing in the sustainability information the criteria used and, when not readily apparent from the engagement circumstances, who developed the criteria.

b. the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.

c. providing the practitioner with

i. access to all information of which management is aware that is relevant to the engagement;

ii. access to additional information that the practitioner may request for the purpose of the examination engagement; and

iii. unrestricted access to persons within the entity from whom the practitioner determines it necessary to obtain evidence.

Engagement-Level Quality Management

Engagement Resources

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[10] Paragraph .34*a* of proposed AT-C section 105.
[11] Paragraph .08*a* of proposed AT-C section 205.
[12] Paragraph .08*d* of proposed AT-C section 205.

26. In accordance with proposed AT-C section 105,[13] the engagement partner should determine that members of the engagement team, and any practitioner's external specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have the appropriate competence, including knowledge of sustainability matters and criteria, and capabilities, including sufficient time, to perform the engagement. (Ref: par. A38)

27. In accordance with proposed AT-C section 105,[14] if the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the examination engagement, the engagement partner should take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: par. A39–A40)

Planning

Planning Activities

28. In accordance with proposed AT-C section 205,[15] 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. A41–A46)

29. For a group sustainability examination engagement, in applying proposed AT-C section 205,[16] the practitioner should determine the following:

a. The sustainability information on which procedures will be performed and the source of that information (Ref: par. A47)

b. The resources needed to perform the engagement, including participating practitioners (Ref: par. A48)

c. Whether to obtain evidence from the sustainability information reported on by an other individual, including an other practitioner

d. Whether to refer to the report of a referred-to practitioner

Materiality

30. In applying proposed AT-C section 205,[17] the practitioner should (Ref: par. A49)

a. consider materiality for qualitative disclosures; and (Ref: par. A50)

b. determine materiality for quantitative disclosures. (Ref: par. A51–A53)

[13] Paragraph .42*b* of proposed AT-C section 105.
[14] Paragraph .43 of proposed AT-C section 105.
[15] Paragraph .19 of proposed AT-C section 205.
[16] Paragraph .20 of proposed AT-C section 205.
[17] Paragraph .23 of proposed AT-C section 205.

31. If the criteria require the entity to apply both financial materiality and impact materiality in preparing the sustainability information, the practitioner should take into account both perspectives when considering or determining materiality in accordance with paragraph 30. (Ref: par. A54 and A89)

32. The practitioner should determine performance materiality for quantitative disclosures. (Ref: par. A55–A57)

33. In applying proposed AT-C section 205,[18] the practitioner should revise materiality if the practitioner becomes aware of information during the examination engagement that, if known previously, would have caused the practitioner to have considered or determined materiality differently. (Ref: par. A58)

Evidence

Evaluating Information to Be Used as Evidence

34. In accordance with proposed AT-C section 205,[19] the practitioner should evaluate information to be used as evidence by taking into account the relevance and reliability of the information, including its source. (Ref: par. A59–A71)

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

35. In applying proposed AT-C section 205,[20] the practitioner should obtain an understanding about how the information prepared by a management's specialist has been used by management in the preparation of the sustainability information.

Using Information Reported on by an Other Individual

36. In applying proposed AT-C section 205,[21] when determining whether the information reported on by an other individual is adequate for the practitioner's purposes, the practitioner evaluates whether the nature, scope, and objectives of the other individual's work are adequate for the practitioner's purposes. (Ref: par. A72–A76)

Inconsistencies in, or Doubts About the Reliability of, Evidence

37. In applying proposed AT-C section 105,[22] if conditions identified during the examination engagement cause the practitioner to believe that a document may not be authentic or that terms in

[18] Paragraph .24 of proposed AT-C section 205.
[19] Paragraph .25*a* of proposed AT-C section 205.
[20] Paragraph .27 of proposed AT-C section 205.
[21] Paragraph .32 of proposed AT-C section 205.
[22] Paragraph .65 of proposed AT-C section 105.

a document have been modified but not disclosed to the practitioner, the practitioner should determine the effect on the rest of the evidence obtained.

38. In applying proposed AT-C section 205,[23] the practitioner should consider whether the effect of inconsistencies in, or doubts about the reliability of, evidence that cannot be resolved indicates a risk that sustainability disclosures may be materially misstated due to fraud.

Risk Assessment Procedures

Understanding the Sustainability Matters, the Sustainability Information, and Other Engagement Circumstances

39. In applying proposed AT-C section 205,[24] the practitioner should obtain an understanding of the sustainability matters and the sustainability information, including the characteristics of events or conditions that could give rise to a material misstatement of the sustainability disclosures.

Designing and Performing Risk Assessment Procedures

40. In applying proposed AT-C section 205,[25] the practitioner should design and perform risk assessment procedures sufficient to (Ref: par. A77–A79)

a. enable the practitioner to identify and assess risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the sustainability disclosures.

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

Engagement Team Discussion

41. In applying proposed AT-C section 205,[26] when discussing the susceptibility of the sustainability disclosures to material misstatement, whether due to fraud or error, the engagement partner should include any key practitioner's external specialists in the discussion.

42. In applying proposed AT-C section 205,[27] the engagement partner should determine which matters are to be communicated to any practitioner's external specialists not involved in the discussion.

Determining the Suitability of the Criteria

43. The practitioner should determine whether the criteria are suitable. (Ref: par. A80–A94)

Understanding the Entity's Reporting Policies

[23] Paragraph .34 of proposed AT-C section 205.
[24] Paragraph .35 of proposed AT-C section 205.
[25] Paragraph .35 of proposed AT-C section 205.
[26] Paragraph .37 of proposed AT-C section 205.
[27] Paragraph .38 of proposed AT-C section 205.

44. In applying proposed AT-C section 205,[28] the practitioner should

a. obtain an understanding of the reason for any changes to the entity's reporting policies; and

b. evaluate whether the entity's reporting policies are appropriate and consistent with criteria used in the relevant industry. (Ref: par. A95)

Understanding the Entity and Its Environment

45. In applying proposed AT-C section 205,[29] the practitioner should obtain an understanding of the entity and its environment, including the following:

a. The nature of operations, the entity's legal and organizational structure, ownership and governance, and business model (Ref: par. A95–A97)
b. The reporting boundary and activities within the reporting boundary (Ref: par. A98)
c. Goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance or determine management compensation (Ref: par. A99)

Understanding the Legal and Regulatory Framework

46. The practitioner should obtain an understanding of (Ref: par. A100–A102)

a. the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, as it relates to the entity's sustainability information; and

b. how the entity is complying with that framework.

Understanding the Components of the Entity's System of Internal Control

47. In applying proposed AT-C section 205,[30] the practitioner should obtain an understanding, through inquiry and other procedures, of the components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information in accordance with paragraphs 48–51 and 53–54. (Ref: par. A103–A108)

The Control Environment

48. The practitioner should obtain an understanding of the entity's control environment relevant to the sustainability matters and the preparation of the sustainability information, including evaluating whether (Ref: par. A109–A112)

a. management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior;

[28] Paragraph .39 of proposed AT-C section 205.
[29] Paragraph .35 of proposed AT-C section 205.
[30] Paragraph .36 of proposed AT-C section 205.

b. the control environment provides an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; and
c. control deficiencies identified in the control environment undermine the other components of the system of internal control.

The Entity's Risk Assessment Process

49. The practitioner should obtain an understanding of the entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information, including (Ref: par. A113–A117)

a. understanding the entity's process for

i. identifying risks relevant to sustainability information reporting objectives;

ii. assessing the significance of those risks, including the likelihood of their occurrence; and

iii. addressing those risks;

b. understanding the results of the entity's risk assessment process; and

c. based on the understanding in item (*a*), evaluating whether the entity's risk assessment process is appropriate to the entity's circumstances.

The Entity's Process for Monitoring the System of Internal Control

50. The practitioner should

a. obtain an understanding of
i. the entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information and (Ref: par. A118–A119)

ii. the results thereof; and

b. based on this understanding, evaluate whether the entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information is appropriate to the entity's circumstances. (Ref: par. A120–A125)

The Information System and Communication

51. The practitioner should obtain an understanding of the entity's information system and communication relevant to the sustainability matters and the preparation of the sustainability information, including (Ref: par. A126–A130)

a. the entity's process to identify sustainability information to be reported. (Ref: par. A131–

A133)

b. how information from external sources, such as service organizations or other organizations in the entity's value chain, is recorded, processed, corrected as necessary, and incorporated into the sustainability information. (Ref: par. A134)

c. for estimates and forward-looking information, how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the criteria.

52. Based on the practitioner's understanding of the information system and communication in accordance with paragraph 51, the practitioner should evaluate whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the criteria. (Ref: par. A135)

Control Activities

53. If the practitioner intends to obtain evidence about the operating effectiveness of controls by using the report of an other individual, including an other practitioner, (referred to in this section of this proposed SSAE as a one-to-many report), the practitioner should determine whether any complementary user entity controls identified in such report (whether a report that has been designed for use by user entities and practitioners engaged to report on the information of those user entities or another assurance report) are relevant to the user entity. (Ref: par. A73, A75, and A136)

54. The practitioner should obtain an understanding of control activities by identifying the following: (Ref: par. A137–A142)

a. Controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, which should include

i. controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence; or
ii. if applicable, any complementary user entity controls identified in an attestation report of an other practitioner in accordance with paragraph 53 that are relevant to the control activities that the practitioner plans to test

b. Based on the controls identified in item (*a*), the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT

c. For the IT applications and other aspects of the IT environment identified in item (*b*),

i. the related risk arising from the use of IT and

ii. the general IT controls that address such risk

d. Other controls that the practitioner considers appropriate to identify and assess the risks of material misstatement at the underlying assertion level for the sustainability disclosures and to design further procedures responsive to those assessed risks

Design and Implementation of Controls

55. The practitioner should obtain an understanding of each control identified in accordance with items (*a*), (*c*), and (*d*) in paragraph 54 by (Ref: par. A143–A147)

a. evaluating whether the control is designed effectively to address the risk of material misstatement at the underlying assertion level for the sustainability disclosures, or effectively designed to support the operation of other controls; and

b. determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.

Identifying Control Deficiencies

56. Based on the practitioner's understanding of the components of the entity's system of internal control, the practitioner should consider whether one or more control deficiencies have been identified. (Ref: par. A148–A151)

Identifying and Assessing the Risks of Material Misstatement

57. In accordance with proposed AT-C section 205,[31] the practitioner should identify and assess the risks of material misstatement at the underlying assertion level for the sustainability disclosures as a basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. A152–A163)

a. are responsive to the assessed risks of material misstatement; and

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

58. Due to the unpredictable way in which management is able to override controls, the practitioner should treat risks of management override of controls as risks of material misstatement due to fraud.

Evaluating the Evidence Obtained From the Risk Assessment Procedures

59. In accordance with proposed AT-C section 205,[32] the practitioner should determine whether the evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner should perform additional risk assessment procedures until evidence has been obtained to provide such a basis. (Ref: par. A164)

Responding to Risks of Material Misstatement

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[31] Paragraph .46 of proposed AT-C section 205.
[32] Paragraph .47 of proposed AT-C section 205.

Designing and Performing Further Procedures

60. In accordance with proposed AT-C section 205,[33] 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, whether due to fraud or error, at the underlying assertion level for the sustainability disclosures. (Ref: par. A42–A46, A165–A167)

Overall Responses

61. In applying proposed AT-C section 205,[34] when designing and implementing overall responses to address the assessed risks of material misstatement, the practitioner should take the following into account, if applicable: (Ref: par. A168–A169)

a. The practitioner identifies pervasive risks of material misstatement throughout the sustainability information.
b. The practitioner's evaluation of the control environment indicates that
   i. management, with the oversight of those charged with governance, has not created and maintained a culture of honesty and ethical behavior;
   ii. the control environment does not provide an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; or
   iii. control deficiencies identified in the control environment undermine the other components of the system of internal control.

Tests of Controls

62. If the practitioner plans to obtain evidence about the operating effectiveness of controls over those areas for which the assessment of risk is close to the upper end of the spectrum of risk, the practitioner should test those controls in the current period.

Substantive Procedures

63. In applying proposed AT-C section 205,[35] the further procedures should include substantive procedures that are responsive to the assessed risks of material misstatement for each relevant underlying assertion related to a sustainability disclosure or disclosures for which the practitioner's assessment of the risk of material misstatement is close to the upper end of the spectrum of risk. (Ref: par. A154 and A170–A172)

64. The practitioner should consider whether external confirmation procedures are to be performed.

65. In accordance with proposed AT-C section 205,[36] if substantive procedures are performed at an interim date, and the practitioner intends to extend the conclusions of those substantive

[33] Paragraph .49 of proposed AT-C section 205.
[34] Paragraph .51 of proposed AT-C section 205.
[35] Paragraph .49 of proposed AT-C section 205.
[36] Paragraph .60 of proposed AT-C section 205.

procedures for the remaining period, the practitioner should cover the remaining period by performing (Ref: par. A173–A174)

a. substantive procedures, combined with tests of controls for the intervening period; or

b. if the practitioner determines that it is sufficient, further substantive procedures only that provide a reasonable basis for extending the conclusions from the interim date to the period-end.

Estimates and Forward-Looking Information

66. For purposes of this section of this proposed SSAE, the requirements in proposed AT-C section 205[37] related to estimates also apply to forward-looking information. (Ref: par. A175–A178)

67. In applying AT-C section proposed 205,[38] when the practitioner develops a range, the practitioner should design and perform additional further procedures to obtain sufficient appropriate evidence regarding the assessed risk of material misstatement relating to the description of the estimation uncertainty.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations

68. In applying proposed AT-C section 205,[39] the practitioner should discuss the matters about fraud or noncompliance with laws or regulations with the appropriate level of management or, when appropriate, those charged with governance (or, if different, the engaging party). (Ref: par. A179)

Process for Assembling the Sustainability Information

69. The practitioner should perform the following procedures related to management's process for assembling the sustainability information:

a. Agreeing or reconciling the sustainability information with the underlying records
b. Obtaining evidence about material adjustments, if any, made during the course of preparing the sustainability information

70. In responding to the risk of management override of controls in accordance with paragraph 58, the practitioner should design and perform the following procedures:

a. Test the appropriateness of adjustments made by management in the process for assembling the sustainability information

[37] Paragraphs .64–.65, .85*i*, and .95 of proposed AT-C section 205.
[38] Paragraph .65*c* of proposed AT-C section 205.
[39] Paragraph .67 of proposed AT-C section 205.

b. Make inquiries of individuals involved in the reporting process about their knowledge of inappropriate or unusual activity relating to adjustments to the sustainability information

c. Determine whether other procedures are needed in addition to those in items (*a*)–(*b*) in order to respond to the risks of management override of controls

Group Sustainability Information

71. For group sustainability information, the practitioner should design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process. Such procedures should include

a. obtaining an understanding of how management has aggregated the information;
b. determining that all entities have been included in the sustainability information as required by the criteria; and
c. evaluating whether management's judgments made in the aggregation process give rise to indicators of possible management bias.

Accumulation and Consideration of Identified Misstatements

72. In accordance with proposed AT-C section 205,[40] the practitioner should

a. accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. A180)

b. communicate on a timely basis to management all misstatements accumulated during the engagement. (Ref: par. A181)

c. determine whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. A182–A187)

Evaluating the Description of Criteria

73. In accordance with proposed AT-C section 205,[41] the practitioner should evaluate whether the written description of the sustainability information or assertion adequately refers to or describes the criteria. (Ref: par. A188–A189)

Written Representations

74. In applying proposed AT-C section 205,[42] the practitioner should request that the written representations from management include management's acknowledgment of its responsibility for the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.

[40] Paragraphs .72, .75, and .78 of proposed AT-C section 205.
[41] Paragraph .79 of proposed AT-C section 205.
[42] Paragraph .85 of proposed AT-C section 205.

Requested Representations Not Provided or Not Reliable

75. In applying proposed AT-C section 205,[43] the practitioner should withdraw from the engagement when withdrawal is practicable, or disclaim an opinion on the sustainability information, if

a. the practitioner concludes that there is sufficient doubt about the integrity of those providing the written representations required by paragraph 74 of this section of this proposed SSAE or paragraph .85*a–d* of proposed AT-C section 205 such that written representations in these regards are not reliable; or

b. management or, when appropriate, those charged with governance do not provide the written representations required by paragraph 74 of this section of this proposed SSAE or paragraph .85*a–d* of proposed AT-C section 205.

Forming the Opinion

Evaluating the Evidence Obtained

76. In accordance with proposed AT-C section 205,[44] the practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement. (Ref: par. A190–A191)

Concluding

77. In accordance with proposed AT-C section 205,[45] the practitioner should form an opinion about whether the sustainability information is in accordance with the criteria, in all material respects, or the assertion is fairly stated, in all material respects. (Ref: par. A192)

Preparing the Practitioner's Report

Content of the Practitioner's Report

78. The practitioner's report on sustainability information should include the following:

a. A title that includes the word *independent.*
b. An appropriate addressee based on the circumstances of the engagement.
c. An identification or description of the sustainability information or assertion about the sustainability information being reported on, including the point in time or period of time to which the measurement or evaluation of the sustainability information or assertion relates. (Ref: par. A193)
d. An identification of the criteria against which the sustainability information was measured or evaluated.

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[43] Paragraph .91 of proposed AT-C section 205.
[44] Paragraph .93 of proposed AT-C section 205.
[45] Paragraph .96 of proposed AT-C section 205.

e. A statement that identifies management, or those charged with governance, as appropriate, and its responsibility for the sustainability information being in accordance with the criteria or for its assertion, including the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.

f. A statement that the practitioner's responsibility is to express an opinion on the sustainability information or assertion based on the practitioner's examination.

g. A statement that

i. the practitioner's examination was conducted in accordance with attestation standards established by the AICPA (Ref: par. A194–A196)

ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether

1. the sustainability information is in accordance with the criteria, in all material respects, or

2. management's assertion is fairly stated, in all material respects

iii. reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.

iv. the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

v. misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the sustainability information or the assertion being reported on. If materiality is defined or described differently in the criteria, the practitioner should include such definition or description instead.

vi. an examination involves performing procedures to obtain evidence about the sustainability information or assertion being reported on.

vii. the nature, timing, and extent of the procedures selected depend on the practitioner's judgment and include

1. the practitioner performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the examination to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed. If the examination report includes an opinion on internal control, the practitioner should omit "but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

2. the practitioner designing and performing procedures that are responsive to the assessed risks of material misstatement at the underlying assertion level for the disclosures.

viii. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a basis for the practitioner's opinion.

h. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with the relevant ethical requirements relating to the practitioner's examination.
i. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information. (Ref: par. A197–A199)
j. The practitioner's opinion about whether

i. the sustainability information is in accordance with the criteria, in all material respects, or
ii. management's assertion is fairly stated, in all material respects.

k. When the circumstances identified in proposed AT-C section 205[46] are applicable, an alert,[47] in a separate paragraph, that restricts the use of the report.
l. The manual or printed signature of the practitioner's firm.
m. The city and state where the practitioner's report is issued.
n. The date of the report.

Dating the Practitioner's Report

79. 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

a. the attestation documentation has been reviewed;

b. the sustainability information has been prepared; and

c. management has provided a written assertion or, in the circumstances described in proposed AT-C section 205,[48] an oral assertion.

Modifications to the Practitioner's Report

80. In accordance with proposed AT-C section 205,[49] the practitioner's opinion on the sustainability information or assertion should be clearly separated from any paragraphs

[46] Paragraph .104 of proposed AT-C section 205.
[47] Paragraph .105 of proposed AT-C section 205.
[48] Paragraph .A148 of proposed AT-C section 205.
[49] Paragraph .119 of proposed AT-C section 205.

emphasizing matters related to the sustainability information or any other reporting responsibilities. (Ref: par. A200–A203)

Comparative Information

81. The practitioner should determine (Ref: par. A204, A214)

a. whether the framework criteria or law or regulation require comparative information to be presented and, if so,

b. whether the comparative information is required to, or otherwise will be, covered by the practitioner's opinion. (Ref: par. A205–A208)

82. If comparative information is required to be presented by the framework criteria or law or regulation, the practitioner should evaluate whether the comparative information is consistent with the disclosures presented in the prior period and, if not, whether any changes that have been made to the prior-period information are in accordance with the framework criteria or law or regulation. (Ref: par. 209–214)

83. Irrespective of whether the comparative information is required to be presented by the framework criteria or law or regulation or whether it is covered by the practitioner's opinion, if the practitioner becomes aware that there may be a material misstatement of the comparative information presented, the practitioner should discuss the matter with management. (Ref: par. 215–216)

84. If comparative information is presented but not covered by the practitioner's opinion and was not subject to an attestation engagement by the practitioner in the prior period, the practitioner should state that fact in a separate paragraph in the practitioner's report. Such a statement does not, however, relieve the practitioner of the requirements in paragraph 80.

85. If comparative information is presented but not covered by the practitioner's opinion and was subject to an attestation engagement by the practitioner or a predecessor practitioner in the prior period, the practitioner should consider whether to state that fact in a separate paragraph in the practitioner's report. (Ref par. A217–A218).

Other Information

Reading the Other Information

86. In applying proposed AT-C section 205,[50] while reading the other information, the practitioner should also remain alert for indications that a material inconsistency exists between the other information and the practitioner's knowledge obtained during the examination engagement, in the context of evidence obtained and conclusions reached in the engagement. (Ref: par. A219)

Responding to Matters Related to the Other Information

[50] Paragraph .129 of proposed AT-C section 205.

87. In applying proposed AT-C section 205,[51] when the practitioner discusses the material inconsistency, material misstatement of fact, or misleading information with management, and management agrees that a correction is necessary and to make the correction, the practitioner should determine that the correction is made.

88. If management refuses to make the correction, the practitioner should communicate the matter to those charged with governance and request that the correction be made. If management or those charged with governance are not also the engaging party and the correction is not made, the practitioner should communicate the matter to the engaging party.

89. If the material inconsistency, material misstatement of fact, or misleading information is not corrected after discussion with management, those charged with governance, or, if different, the engaging party, the practitioner should

a. consider the implications for the practitioner's report and communicate to management, those charged with governance, or the engaging party, as appropriate, about how the practitioner plans to address the material misstatement in the practitioner's report; or
b. withdraw from the engagement, when withdrawal is practicable.

Responding When a Material Misstatement of the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated

90. If, as a result of performing the procedures in paragraph 86, the practitioner concludes that a material misstatement of the sustainability information exists or the practitioner's understanding of the entity and its environment needs to be updated, the practitioner should respond appropriately.

Documentation

91. In accordance with proposed AT-C section 105,[52] the practitioner should prepare engagement documentation on a timely basis that is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand (Ref: par. A220)

a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements;

b. the results of the procedures performed, and the evidence obtained; and

c. the significant matters arising during the engagement, the conclusions reached thereon, and the significant professional judgments made in reaching those conclusions.

Application and Other Explanatory Material

Introduction (Ref: par. 2–8)

[51] Paragraph .131 of proposed AT-C section 205.
[52] Paragraph .68 of proposed AT-C section 105.

A1. The terms *ESG*, *sustainability*, and *corporate social responsibility* are often used interchangeably.

A2. Sustainability information is often intended to give insight into sustainability-related risks and opportunities for users to understand and evaluate the impacts of sustainability matters on the entity or the entity's actual or potential impacts, positive or negative, on the environment, society, or the economy.

A3. The framework criteria determine the principles and concepts regarding the measurement or evaluation of sustainability matters. Although the framework criteria might not specify how to measure or evaluate all sustainability matters, they ordinarily embody broad principles sufficient to serve as a basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework criteria.

A4. In an examination engagement, when the practitioner is reporting directly on the subject matter, it is most likely that the sustainability information will be expressed as "in accordance with the criteria." Accordingly, this section of this proposed SSAE does not refer to "sustainability information based on the criteria." However, there may be examination engagements on sustainability information in which it is appropriate to express the sustainability information as "based on the criteria."

A5. The entity's process to identify sustainability information to be reported, including the identification and selection of the sustainability matters and the reporting boundary, may be required by the sustainability reporting framework or entity-developed criteria. Such a process may be referred to as the entity's "materiality assessment" or "materiality process," among other terms, because the process involves the application of materiality in identifying which information relevant to the information needs of intended users is material for the purposes of reporting.

A6. The criteria, particularly framework criteria, may include guidance about the sustainability matters (including the topics and aspects of topics) to be reported. The criteria also may establish how those sustainability matters are to be measured or evaluated and how they are to be presented or disclosed.

A7. The scope of the attestation engagement might not extend to the entirety of the sustainability information reported. Therefore, for purposes of this section of this proposed SSAE, the term *sustainability information* is to be read as the information the practitioner has been engaged to report on. Sustainability information not subject to the attestation engagement that is included in a document or documents containing the sustainability information subject to the attestation engagement and the attestation report thereon is other information.

Scope of This Proposed Section (Ref: par. 9)

A8. The underlying subject matter and criteria used that resulted in the subject matter information on which the practitioner is engaged to perform an attestation engagement may be used to determine if the primary subject matter information is sustainability information and in scope of this section of this proposed SSAE. The fact that the subject matter of a practitioner's attestation engagement relates to a sustainable activity of the entity does not necessarily mean that such attestation engagement is in scope of this section of this proposed SSAE. For example, an engagement to obtain assurance that the proceeds received through "green bonds" were spent on or allocated to projects designated in the prospectus as sustainability projects might not be in scope of this section of this proposed SSAE because the primary purpose of the engagement is to obtain assurance that the proceeds from the financing were spent or allocated in accordance with the criteria.

Definitions (Ref: par. 15)

Component

A9. In this section of this proposed SSAE, an *entity* is a legal entity, economic entity, or the identifiable portion of a legal or economic entity, or a combination of legal or other entities or portions of those entities, to which the sustainability information relates. An example of an identifiable portion of a legal or economic entity is a single factory or other form of facility, such as a landfill site.

A10. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For purposes of this section of this proposed SSAE, entities or business units required to be included in the reporting entity's group financial statements (for example, subsidiaries of a parent entity) are referred to as *group components*. The framework criteria may also require the sustainability information to be extended to include information from other entities that are part of the reporting entity's upstream or downstream value chain. For purposes of this section of this proposed SSAE, components that include such entities are referred to as *value chain components*.

Group

A11. A single legal entity organized with branches or divisions (also referred to as *business units* in this section of this proposed SSAE) is also a group for purposes of this section of this proposed SSAE if the sustainability information for those branches and divisions is included in the single legal entity's sustainability information through an aggregation process.

Group Sustainability Information

A12. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For example, if consolidated financial statements are required to be prepared in accordance with the applicable financial reporting framework, then the sustainability information would include information for the same entities or business units included in the consolidated financial statements. The criteria may also require the sustainability information to be extended to include information from other entities that are part of the upstream or downstream value chain. Such sustainability information, including information from the value chain, is referred to as *group sustainability information* in this section of this proposed SSAE.

Reporting Boundary

A13. In some cases, framework criteria may specify the reporting boundary. In other circumstances, the reporting boundary may be determined by the entity, in which case the reporting boundary will be part of the entity-developed criteria. The reporting boundary may vary for different topics or aspects of topics (for example, some key performance indicators may have different boundaries from other key performance indicators because of the nature of sustainability matters).

A14. Although the entity's sustainability information and financial statements may relate to the same reporting entity, the reporting boundary for sustainability information may differ from the boundary for purposes of preparing financial statements. For example, the reporting boundary may include activities, operations, relationships, or resources up and down the entity's value chain. An entity's supply chain is part of the value chain.

Service Organization

A15. The services provided by service organizations to user entities are most likely to be relevant to the attestation engagement when they relate to those user entities' internal control over the preparation of sustainability information.

Sustainability Disclosures

A16. In this section of this proposed SSAE, the term *sustainability disclosures* refers to sustainability information about an aspect of a topic and is not intended to have the same meaning as *financial statement disclosures* as defined or described in financial reporting frameworks.

A17. The appendix explains the relationship between sustainability matters, sustainability information, and the related sustainability disclosures. Sustainability disclosures may include quantitative or qualitative information, can vary in form and length, and provide a starting point in considering whether and how certain sustainability disclosures may be combined by the practitioner for the purpose of planning and performing the engagement.

Sustainability Information

A18. As explained in paragraph 2, sustainability information is information about sustainability matters and may cover a number of topics and aspects of those topics. Paragraph 2 also explains that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics, or aspects of topics in different ways.
Examples of topics and aspects of topics include the following:

- *Environmental topics*
  - — Climate, including emissions
  - — Energy, such as type of energy and consumption
  - — Water and effluents, such as water consumption and water discharge

— Biodiversity, such as impacts on biodiversity or habitats protected and restored

- *Social topics*
  — Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety

  — Human rights and community relations, such as local community engagement, impact assessments, and development programs

  — Customer health and safety

- *Governance topics*
  — Monitoring, managing, and overseeing sustainability matters and their related impacts

- *Aspects of topics*
  — Impact analysis, including magnitude of impact

  — Strategy and business model

  — Risks and opportunities

  — Innovation to address risks and opportunities

  — Financial effects arising from risks and opportunities

  — Risk management or mitigation

  — Governance

  — Metrics and key performance indicators

  — Targets

  — Internal control over monitoring and managing risk

  — Scenario analysis

Sustainability Matters

A19. Law or regulation or sustainability reporting frameworks may define or describe sustainability matters in different ways. Depending on the criteria, sustainability matters may address

- the impacts on the entity's strategy, business model, or performance;
- the impacts of the entity's activities, products, and services on the environment, society, or the economy; or
- the entity's sustainability policies, plans, goals, or targets.

A20. In addition to impacts, the criteria may also refer to risks and opportunities (for example, how sustainability-related risks and opportunities could reasonably be expected to affect the entity's prospects) or dependencies (for example, resources and relationships throughout the entity's value chain that may affect the entity's strategy or business model).

Environmental Matters

A21. Environmental matters relate to how an entity is exposed to and manages risks and opportunities related to the environment and addresses topics such as climate, natural resource scarcity, pollution, emissions, waste, biodiversity, impacts on biodiversity of habitats protected or restored, types of energy and energy consumption, water consumption and water discharge, and an entity's impact on the environment.

Social Matters

A22. Social matters encompass information about an entity's values and business relationships and address topics such as fair labor practices, training and education, the use of ethically sourced material in the production of products, product quality and safety, human capital considerations such as employee health and safety, diversity and inclusion policies and efforts, human rights, and community relations.

Governance Matters

A23. Governance matters encompass an entity's rules, practices, and processes by which the entity is directed and controlled and address topics such as the structure and diversity of the board of directors; executive compensation; critical event responsiveness; entity resiliency; policies and practices related to lobbying, political contributions, bribery, and corruption; and monitoring, managing, and overseeing sustainability matters and their related impacts.

Underlying Assertions

A24. Underlying assertions are used by practitioners to consider the different types of potential misstatements that may occur when identifying and assessing, and responding to, the risks of material misstatement in an examination engagement. Underlying assertions may include, but are not limited to, the following:

- Existence
- Rights and obligations
- Completeness
- Accuracy, valuation, and allocation
- Classification
- Presentation

Management and Those Charged With Governance (Ref: par. 18)

A25. For purposes of this section of this proposed SSAE, the responsible party is presumed to be management of the entity for which the practitioner is performing an attestation engagement on sustainability information.

A26. Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for this section of this proposed SSAE to specify for all engagements the person or persons with whom the practitioner is to interact regarding particular matters. Identifying the appropriate management personnel or those charged with governance with whom to interact for a particular matter may require the exercise of professional judgment.

Preconditions for an Examination Engagement

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances (Ref: par. 19–20)

A27. The practitioner uses professional judgment in determining the nature and extent of the preliminary knowledge of the engagement circumstances needed to establish that the preconditions for an attestation engagement are present. That knowledge ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement.

A28. The scope of the attestation engagement may extend to all the sustainability information reported by the entity (for example, the entity's sustainability report) or only part of it (for example, it may be limited to specific sustainability disclosures such as disclosures about key performance indicators for product recycling rates). Also, the scope of the proposed attestation engagement may encompass the reporting boundary covered by the sustainability information to be reported, or only certain jurisdictions, entities, operations, or facilities within the reporting boundary. The reporting boundary within the scope of the attestation engagement may be established by law, regulation, or professional requirements, or it may be determined by management.

A29. The entity's process, including controls, to enable the preparation of the sustainability information that is free from material misstatement ordinarily includes the entity's process to identify sustainability information to be reported in accordance with the criteria. When deciding whether to accept the engagement, the practitioner may consider the absence of such a process in determining whether the practitioner expects to obtain the evidence needed to support the practitioner's opinion.

Appropriate Sustainability Matters

Appropriateness of the Scope of the Examination Engagement (Ref: par. 21)

A30. The practitioner's evaluation of the appropriateness of the scope of the attestation engagement ordinarily involves the consideration of the results of the practitioner's evaluation, as applicable, of the characteristics of the criteria.

A31. If the scope of the attestation engagement includes only part of the sustainability information being reported by the entity (for example, in reporting labor practices, management requests that the practitioner's engagement include only occupational health and safety disclosures), the practitioner may consider whether the reasons for the scope of the engagement are appropriate.

A32. The entity may not have a reasonable basis for all the disclosures in the sustainability information, such as when the entity's processes to prepare some or all the sustainability information are at an early stage of development. In such cases, if permitted by the criteria, it may be possible to include only those areas of the sustainability information for which the processes are more developed within the scope of the attestation engagement, because the preconditions have been met for those areas.

A33. When law or regulation does not require assurance on sustainability information, and in particular for sustainability information that is reported voluntarily, there may be legitimate reasons for not including all the sustainability information being reported by the entity within the scope of an attestation engagement. In evaluating whether the sustainability information within the scope of the attestation engagement is appropriate, the practitioner may consider the following:

- Whether the sustainability information within the scope of the attestation engagement is likely to meet the information needs of intended users
- How the sustainability information will be presented
- Whether intended users may misinterpret what has, and has not, been subject to the attestation engagement

A34. Examples of circumstances in which the sustainability information subject to the attestation engagement may not be appropriate include the following:

- There is inadequate justification for not including sustainability information to be reported within the scope of the engagement.
- The attestation engagement excludes sustainability information that can be readily measured or evaluated, and the exclusion of this sustainability information from the attestation engagement may be misleading to intended users.
- The attestation engagement excludes sustainability information that may be significant to intended users' decisions.
- The attestation engagement includes sustainability information that may be perceived by intended users as positive and excludes sustainability information that is negative (for example, areas where the entity has not met targets or has not taken action to achieve goals).
- The reporting boundary excludes significant entities, operations, or facilities, which may be misleading to intended users.

Suitability of Criteria (Ref. par. 22)

A35. If suitable criteria are unavailable for some of the sustainability information subject to the attestation engagement but the practitioner can identify one or more disclosures for which the criteria are suitable, then an attestation engagement may be performed with respect to only those disclosures.

Evidence to Support the Practitioner's Opinion (Ref: par. 23*)*

A36. Proposed AT-C section 105[53] indicates that one of the preconditions for an attestation engagement is that the practitioner expects to be able to obtain the evidence needed to support the practitioner's opinion. Examples of the nature and availability of evidence that may affect the practitioner's ability to obtain evidence include the following:

- The timing of the practitioner's appointment, the entity's document retention policy, inadequate information systems, or a restriction imposed by management, those charged with governance, or, if different, the engaging party.

- The nature of the relationship between management, those charged with governance, and, if different, the engaging party, affecting the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to complete the engagement.

- Evidence located at organizations not controlled by the entity, such as entities within the value chain but outside of the reporting entity's control. In such cases, the practitioner may determine whether the entity has contractual arrangements with those organizations to provide access to persons or information, or to provide independent attestation reports on relevant controls or the measurement or evaluation of relevant sustainability matters, or whether the entity has plans to put such arrangements in place.

Terms of the Examination Engagement

Agreeing the Terms of the Examination Engagement (Ref: par. 24)

A37. The requirement to include the reporting boundary in the agreed-upon terms of the engagement is satisfied if the criteria used to measure and evaluate the sustainability matters specify the acceptable reporting boundary.

Engagement-Level Quality Management

Engagement Resources

Competence and Capabilities of the Engagement Team (Ref: par. 26)

A38. The more complex the engagement, including its geographical spread and the extent to which information is derived from the entity's value chain, the more necessary it may be to consider how the work of a practitioner's specialist or participating practitioner is to be

[53] Paragraph .34*a* of proposed AT-C section 105.

integrated across the engagement.

Resources Needed to Perform the Engagement (Ref: par. 27)

A39. For a group sustainability attestation engagement, the engagement partner's determination about whether the resources assigned or made available are sufficient and appropriate may include considering whether there is a need to involve participating practitioners with knowledge and experience of the laws, regulations, language, or culture in certain jurisdictions.

A40. The following are matters that may influence the practitioner's determination of the resources needed to perform a group sustainability attestation engagement, including participating practitioners:

- Whether sufficient appropriate evidence is expected to be available from records held by group management, considering
  - — the practitioner's understanding of the entity and its environment.
  - — the entity's system of internal control, including the information system, and its degree of centralization. For example, the need to involve a participating practitioner may be greater when the system of internal control is decentralized.
- Whether the practitioner is aware of work that has been performed, or will be performed, on sustainability information that has been aggregated from other entities within the entity's control.
- The geographic dispersion of the entities or business units from which information is aggregated.
- Management's process for obtaining information from the value chain. In some circumstances, the criteria may permit management to estimate the information to be reported by using sector-average data and other proxies if management is unable to obtain the information after making reasonable efforts to do so.
- Access arrangements, or any restrictions on access to information. For example, using the work of a participating practitioner may be necessary if the practitioner's access to information from an entity in a particular jurisdiction is restricted.
- The knowledge and experience of the engagement team. For example, a participating practitioner may have greater experience and more in-depth knowledge than the practitioner about local laws or regulations, business practices, language, and culture.
- Previous experience of using the work of participating practitioners.

Planning

Planning Activities (Ref: par. 28–29)

A41. The nature and extent of planning activities will vary with the engagement circumstances. Examples of matters that may be considered include the following:

- The characteristics of the entity and its activities
- Whether the engagement is an examination engagement, a review engagement, or a combined examination and review engagement
- The nature of the sustainability matters
- The expected timing and the nature of the communications required with management or those charged with governance
- The reporting boundary
- The practitioner's understanding of the entity and its environment, including the risks that the disclosures may be materially misstated due to fraud or error
- The intended users and their information needs
- The nature, timing, and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of specialists
- If the entity has an internal audit function, the impact on the engagement

A42. The practitioner uses professional judgment in identifying the appropriate approach to planning and performing procedures to obtain sufficient appropriate evidence. Understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement. Matters that may be relevant in this regard include the following:

- The information needs of intended users (for example, intended users may place more significance on information about certain sustainability topics, or aspects of topics, than others).
- Whether the criteria address how the sustainability information should be presented, and how the entity has applied such criteria. Criteria do not always specify in detail the required level of aggregation or disaggregation; they may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances. For example, the criteria may require the entity to report operational sites situated in areas of high biodiversity value by geographical location only. In other circumstances, the criteria may require that information be disaggregated further based on operational size and relative vicinity.
- The entity's reporting policies regarding preparation of the sustainability information, including its policies for classification and presentation of the sustainability information.

- Whether the disclosures pertain to one or more entities within the reporting boundary, and whether such entities are within or outside the reporting entity's control.
- The extent to which the sustainability information
  - — is processed using common information systems and controls, and
  - — has a common unit of measure.
- How sustainability information is communicated internally to management or those charged with governance.
- Whether the disclosures relate to similar or interconnected topics, aspects of topics, or characteristics (see also paragraphs A44–A45).
- How the entity's industry peers present the sustainability information.

A43. The practitioner may decide that the way management has aggregated or disaggregated the sustainability information for purposes of presentation is the most appropriate approach for the engagement. However, the practitioner may decide that there are other logical ways of aggregating or disaggregating the sustainability information for purposes of planning and performing the engagement.

A44. In addition to the factors in paragraph A42, preliminary expectations about the risks of material misstatement may also be relevant to the practitioner's decision about aggregating or disaggregating the sustainability information. For example, if misstatements were identified in the information for certain topics or aspects of topics in previous attestation engagements, the practitioner may decide that the information for those topics or aspects of topics needs to be considered separately.

A45. The practitioner's decision about aggregating the entity's disclosures for purposes of planning and performing the engagement, and how the disclosures are aggregated, involves professional judgment. Given the diverse nature of sustainability information, some topics and aspects of topics are more capable of being grouped than others. In addition, care is needed when aggregating disclosures so that risks of material misstatement are identified and responded to appropriately.

A46. Examples of possible ways for the practitioner to aggregate the disclosures include the following:

- *By topics.* For example, all disclosures on climate; all disclosures on labor practices
- *By aspects of topics.* For example, all disclosures regarding risks and opportunities (regardless of the topic); all disclosures regarding targets
- *By topic and aspect of topic.* For example, all disclosures regarding targets for climate; all disclosures regarding scenario analysis for climate

- *By characteristics.* For example, all disclosures that are qualitative; all disclosures that are forward-looking; all disclosures that are historical

- *By characteristics by aspect of topic.* For example, all disclosures regarding targets that are judgmental; all disclosures regarding targets that are historical

Overall Engagement Strategy and Engagement Plan for a Group Sustainability Examination Engagement

Sustainability Information on Which Procedures Will Be Performed and Resources Needed (Ref: par. 29*a*–*b*)

A47. For a group sustainability examination engagement, the determination of the information on which work will be performed is a matter of professional judgment depending on the source of the information (that is, the entities or business units to which the information relates). Matters that may influence the practitioner's determination include, for example, the following:

- The nature and extent of disaggregation of the sustainability information (The matters described in paragraph A42 may be helpful in this regard.)

- Whether there are specific locations at which procedures may need to be performed to obtain sufficient appropriate evidence for sustainability information that is important to intended users (for example, if information about occupational health and safety is of particular importance to users and such information is confined to one or two entities or business units)

- The nature and extent of misstatements or control deficiencies identified at entities in prior sustainability attestation engagements

A48. In determining the nature and extent of evidence to be obtained in relation to sustainability information from group components or value chain components, the following procedures may be considered by the practitioner:

- *Inspecting records and documents held by the group.* The reliability of this evidence is determined by the nature and extent of the records and supporting documentation retained by the entity. In some cases, the group might not maintain independent, detailed records or documentation of specific sustainability matters relating to group components and, in most cases, will not do so with respect to value chain components.

- *Inspecting records and documents at the component.* The practitioner's access to the records of a component may be established as part of the contractual or other arrangements between the group and the component. This is more likely to be the case for group components.

- *Testing management's process for obtaining information from value chain components.* Due to the limitations that may exist in obtaining information from the value chain, the practitioner's procedures may in some cases be limited to evaluating whether management has complied with the requirements of the criteria and testing the reasonableness of such information. The practitioner may also seek to obtain evidence from the work of an other practitioner if work has been performed on that information. Regardless of any limitations that may exist in obtaining information from the value chain, the practitioner is required to obtain sufficient appropriate evidence.

- *Obtaining confirmations of sustainability information from the component.*

  — If the group maintains independent records of sustainability information, confirmation from the component corroborating information in the group entity's records may constitute reliable evidence.

  — If the group does not maintain independent records, information obtained in confirmations from the component is merely a statement of what is reflected in the records maintained by the component. Therefore, such confirmations do not, taken alone, constitute sufficient appropriate evidence. In these circumstances, the practitioner may consider whether an alternative source of independent evidence can be identified.

- *Performing analytical procedures on the records maintained by the group or on the information received from the component.* The effectiveness of analytical procedures is likely to vary by disclosure or assertion and will be affected by the extent and detail of information available.

Materiality (Ref: par. 30)

A49. Not all sustainability disclosures involve the same materiality considerations. Ordinarily, materiality is considered or determined for different sustainability disclosures. For different sustainability disclosures, the same intended users may have different information needs or a different tolerance for misstatement. Also, the sustainability disclosures may be expressed using different units of measure. Considering qualitative factors may help the practitioner identify sustainability disclosures that may be more significant to the intended users. For example, intended users may place more importance on information about food or drug safety than they do on information about the recycling of non-hazardous waste because the consequences of poor safety standards in food or drug production are likely to be more serious to human health than those for not recycling non-hazardous waste. Intended users may, therefore, have a lower tolerance for misstatement of information about food or drug safety than about recycling of non-hazardous waste.

*Consideration of Materiality for Qualitative Sustainability Disclosures (Ref. par. 30*a*)*

A50. In addition to the factors described in proposed AT-C section 205,[54] examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative sustainability disclosures include the following:

- The number of persons or entities affected by, and the severity of the effect of, the

[54] Paragraph .A36 of proposed AT-C section 205.

sustainability matter (For example, a hazardous waste spill may affect a small number of people, but the effect of that spill could lead to serious adverse consequences to the environment.)

- The interaction between, and relative importance of, multiple topics and aspects of the topics
- The form of the presentation of the sustainability information when the criteria allow for variations in the presentation
- The nature of a potential misstatement and when it would be considered material (For example, the nature of observed deviations from a control when the sustainability information is a statement that a process exists or that the control is effective)
- Whether a potential misstatement could affect compliance with law or regulation, including whether there is an incentive or pressure on management to achieve an expected target or outcome (For example, a practitioner may consider a potential misstatement to be material if it affected a threshold at which a carbon tax would be payable by the entity.)
- Whether a potential misstatement would be significant based on the practitioner's understanding of known previous communications to the intended users on matters relevant to their information needs (For example, in relation to the expected outcome of goals or targets, the degree to which a potential misstatement would affect the entity achieving the goal or target)
- When the sustainability matter relates to a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility, and sensitivity of the program or entity
- If the criteria include the concept of due diligence regarding impacts, the nature and extent of those impacts (For example, a practitioner may consider whether the entity's sustainability disclosures omitted or distorted the actions taken to prevent or mitigate negative impacts or whether the entity's actions to prevent or mitigate negative impacts were not effective.)
- For narrative sustainability disclosures, whether the level of detail of the description or the overall tone of the words used to describe the matter may give a misleading picture to users of the sustainability information
- How the presentation of the information influences users' perception of the information (For example, when management presents the sustainability disclosures in the form of graphs, diagrams, or images, materiality considerations may include whether using different scales for the *x*- and *y*-axes of a graph may be potentially misleading.)

*Determination of Materiality for Quantitative Sustainability Disclosures (Ref. par. 30*b*)*

A51. For quantitative sustainability disclosures (for example, a key performance indicator expressed in numerical terms), materiality may be determined by applying a percentage to the reported metric or to a chosen benchmark related to the sustainability disclosure. Examples of thresholds may include "*x*% of investment in community projects (in hours or monetary terms)," "*y*% of energy consumed (in kWh)," or "*z*% of land rehabilitated (in acres)." Qualitative factors may also be relevant when determining materiality for quantitative sustainability disclosures.

A52. Factors that may affect the identification of an appropriate benchmark and percentage include the following:

- *The elements of the sustainability disclosure.* For example, if there is an element that is likely to be the focus of intended users, it may be the appropriate benchmark.
- *The relative volatility of the benchmark.* For example, if the benchmark varies significantly from period to period, it may be appropriate to set materiality relative to the lower end of the fluctuation range even if the current period is higher.
- *The requirements of the criteria.* If the criteria specify a percentage threshold for materiality, this may provide a frame of reference to the practitioner in determining materiality for the sustainability disclosure.

A53. The criteria may require disclosures of historical cost financial information. For example, topics reported may include community investment, training expenditures, or taxes by jurisdiction. These may also be reported in the entity's financial statements. The practitioner, or an other practitioner, may be engaged to audit those financial statements. The materiality used for these aspects of the sustainability disclosures need not be the same as the materiality used in the audit of the entity's financial statements.

When the Entity Is Required to Apply Both Financial Materiality and Impact Materiality (Ref: par. 31)

A54. Financial materiality and impact materiality, when relevant, are generally defined by the sustainability reporting framework in the context of management's preparation of sustainability information. If both financial and impact materiality (which may be described as *double materiality*) are required to be applied by the sustainability reporting framework or entity-developed criteria, paragraph 31 requires the practitioner to take into account management's judgments on both financial materiality and impact materiality when considering or determining materiality for purposes of planning and performing procedures and determining whether identified misstatements are material, so that

- for quantitative sustainability disclosures, ordinarily the lower level of materiality for financial or impact materiality would be used.
- for qualitative sustainability disclosures, when applying the factors in paragraph A50 and other misstatement considerations in paragraphs A185–A187, ordinarily the

greater level of detail needed in the materiality for financial or impact materiality would be used.

Performance Materiality (Ref: par. 32)

A55. Performance materiality may be used during different stages of the attestation engagement. For example, performance materiality may be useful to help identify and assess risks of material misstatement at the underlying assertion level for sustainability disclosures and to determine the nature, timing, and extent of further procedures.

A56. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the practitioner's understanding of the entity that is updated during the performance of the risk assessment procedures. Factors the practitioner may take into account in setting performance materiality include the following:

- The extent of disaggregation of the sustainability disclosures. For example, in a group engagement, as the extent of disaggregation across components increases, a lower performance materiality ordinarily would be appropriate to address aggregation risk. The relative significance of the component to the reporting entity may affect the extent of disaggregation (e.g., if a single component represents a large portion of the reporting entity, there likely may be less disaggregation across components).
- Expectations about the nature, frequency, and magnitude of misstatements of the disaggregated sustainability disclosures, including those identified in previous engagements.

A57. Performance materiality does not address misstatements that would be material solely due to qualitative factors that affect their significance. However, designing procedures to increase the likelihood of the identification of misstatements that are material solely because of qualitative factors, to the extent it is possible to do so, may also assist the practitioner in addressing aggregation risk.

Revision of Materiality as the Engagement Progresses (Ref: par. 33)

A58. Materiality may be revised as a result of a change in circumstances during the attestation engagement (for example, the disposal of a major part of the entity's business), new information, or a change in the practitioner's understanding of the entity and its operations as a result of performing procedures. For example, it may become apparent during the engagement that the percentage of significant product categories for which customer health and safety impacts are assessed for improvement is likely to be substantially different from that expected during planning. If during the engagement the practitioner concludes that a different materiality is appropriate, it may be necessary to revise the nature, timing, and extent of further procedures.

Evidence

Evaluating Information to Be Used as Evidence (Ref: par. 34)

A59. In designing and performing procedures that are appropriate in the circumstances to provide evidence to meet the intended purpose of those procedures, the practitioner's considerations may include whether information to be used as evidence

- is expected to be available in digital, written, or oral form, related to a point in time or for a period, and is to be obtained from internal or external sources.
- is needed across multiple disclosures and how that affects the nature, timing, and extent of evidence needed. For example, the nature and availability of appropriate evidence may vary based on whether the disclosures relate to an entity's processes, governance, controls, or key performance indicators, and the characteristics of the disclosures, such as whether they are quantitative, qualitative, historical, or forward-looking (see also paragraphs A60–A63).
- relates to disclosures that include information from the entity's value chain and how that may affect the ability to obtain sufficient appropriate evidence.
- will need to be obtained across multiple locations or jurisdictions (for example, for a group sustainability attestation engagement).
- relates to disclosures that are factual, judgmental, or subject to estimation uncertainty.

S*ufficiency and Appropriateness of Evidence*

A60. Factors that affect the evidence that may be available in the circumstances, in terms of quantity or quality, and therefore affect its sufficiency or appropriateness, include the following:

- The characteristics of the sustainability matters or disclosures. For example, less objective evidence might be expected when the disclosures are forward-looking rather than historical.
- Whether the source of the information used to prepare the disclosures is accessible. For example, if the criteria require the sustainability information to include information from value chain entities outside of the entity's control, there may be limitations on access to such information or to the work of an other individual that may have provided an attestation report on such information. Such limitations may also affect the practitioner's evaluation of the relevance and reliability of this information to be used as evidence.
- Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of factors such as those described in paragraph A36.

Qualitative Evidence

A61. The entity's information system, including internal controls, may be different for quantitative and qualitative information. This may have implications for the practitioner's planned procedures, the ability to obtain the evidence needed about qualitative sustainability information, and the practitioner's opinion. For example, when designing and performing procedures for qualitative sustainability information, the practitioner may consider

- whether, in the case of an examination engagement, substantive procedures alone will provide sufficient appropriate evidence. If not, the practitioner may need to perform tests of controls over the integrity of data or other controls within the entity's information system that support the preparation of the qualitative information.

- the source of the information to be used as evidence, how such information has been captured and processed by the entity's information system, and how this may affect the reliability of the information. For example, information may be captured directly into the entity's information system on a real-time basis without supporting documentation or may be obtained through informal communication.

Forward-Looking Information

A62. Forward-looking information, by its nature, is predictive and may be expressed in both quantitative and qualitative terms. Information about future conditions or outcomes relates to events and actions that have not yet occurred and might not occur, or that have occurred but are still evolving in unpredictable ways. For example, this information may include forecasts or projections and may relate to the entity's intentions or strategy, future risks, or opportunities. While forward-looking information may result from applying criteria to the sustainability matters, the sustainability matters (a future event, occurrence, or action) may be subject to greater uncertainty and are ordinarily able to be evaluated with less precision than historical matters. Uncertainty and the need for judgment are also likely to increase the further into the future the period to which the disclosures relate. Unlike historical information, it is not possible for the practitioner to determine whether the results or outcomes forecasted or projected will be achieved or realized. The practitioner may obtain evidence about whether the forward-looking information has been prepared in accordance with the criteria on the basis of the assumptions used by the entity, and

- in the case of forecasts, whether the assumptions used provide a reasonable basis for preparing the sustainability information; or

- in the case of projections that use hypothetical assumptions, whether such assumptions are consistent with the purpose of the information.

A63. Evidence may be available to support the assumptions on which the forward-looking sustainability information is based, but such evidence itself may also be forward-looking and, therefore, speculative in nature. Accordingly, the practitioner may need to exercise significant professional judgment in determining whether the evidence is sufficient and appropriate. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range.

A64. The nature and availability of evidence for forward-looking information, and what constitutes sufficient appropriate evidence, will likely vary by topics, aspects of topics, and disclosures, and the practitioner's consideration of potential material misstatements. For example,

- when disclosures relate to future strategy, a target, or other intentions of an entity, the practitioner may focus evidence-gathering activities on whether management or those charged with governance have an intention to follow that strategy, the target or intention exists, or there is a reasonable basis for the intended strategy or target. (For example, the practitioner may obtain evidence to support that the entity has the ability to carry out its intent or is implementing controls over source data and the assumptions on which the strategy is based.)

- when disclosures relate to future risks and opportunities, the practitioner may focus evidence-gathering activities on information available from the entity's risk register or records of discussions of those charged with governance if the entity's controls over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence. In an examination engagement, the practitioner may need to consider obtaining evidence about the effectiveness of the entity's controls.

Form, Availability, Accessibility, and Understandability of Information

A65. The form, availability, accessibility, and understandability of the information to be used as evidence may affect

- the design and performance of the procedures in which the information will be used; and

- the practitioner's evaluation of the relevance and reliability of the information.

For example, information may only be available in digital form on a continuous basis. In such circumstances, the practitioner may use automated tools and techniques that are designed to operate on a real-time basis to evaluate the relevance and reliability of the information.

A66. The practitioner may receive information to be used as evidence in many forms, ranging from information generated from highly complex automated systems to information manually prepared by management and others within the entity. The practitioner may have an expectation of the form in which information to be used as evidence will be received. Remaining alert for information to be used as evidence that is received in a form different from the expected form may assist the practitioner in mitigating unconscious biases that may impede the practitioner's exercise of professional skepticism. In addition, receiving information in a form different from that expected may also be relevant to the practitioner's evaluation of the reliability of that information.

A67. Information intended to be used as evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information (for example, due to hospital patient confidentiality), or due to war, civil unrest, or outbreaks of disease. In some cases, the practitioner may be able to overcome restrictions on access to information. In particular, the practitioner may request management or those charged with governance to assist in requesting information from a source when contractual obligations exist between an information source and the entity. For example, this may be possible when the reporting entity has a direct business relationship with a value chain entity, such as a large supplier or customer. The practitioner may also consider whether it is possible to visit a location to inspect information that is available but cannot be transferred outside of a jurisdiction.

A68. As explained in paragraph A60, there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control. In these circumstances, the criteria may provide certain relief provisions for management (for example, the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). Regardless of any limitations on management's ability to obtain information from such value chain entities, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management. Paragraph A48 describes procedures that may be considered by the practitioner in these circumstances, including testing management's process for obtaining such information.

A69. The practitioner may be unable to obtain sufficient appropriate evidence if the practitioner determines that it is not practicable to obtain information intended to be used as evidence or does not have a sufficient basis to evaluate the relevance and reliability of the information (for example, from an external source). In some circumstances, the practitioner may be able to obtain sufficient appropriate evidence through alternative procedures. An inability to obtain sufficient appropriate evidence requires the practitioner to express a qualified opinion or disclaim an opinion on the sustainability information, or withdraw from the engagement, if withdrawal is practicable, in accordance with proposed AT-C section 205.[55]

A70. In some circumstances, specialized skills or knowledge may be needed to understand or interpret the information to be used as evidence, for example, emissions data from downstream or upstream entities, water quality, or biodiversity measurements. Accordingly, the practitioner may consider using a practitioner's specialist to assist in understanding or interpreting the information to be used as evidence if the engagement team does not have the appropriate competence and capabilities to do so.

Sources of Information to Be Used as Evidence

Sources of Information (Ref: par. 34)

A71. The source of the information to be used as evidence often affects the consideration of its relevance and reliability, including whether the information is available, accessible, and understandable. Information to be used as evidence may be obtained directly or derived individually or in combination from different sources, including management, external information sources, and other external parties or the practitioner. For example, information may come from the following sources:

[55] Paragraph .112 of proposed AT-C section 205.

- *Management.* Information to be used as evidence may be obtained from
  - — the entity's records, management, or other sources internal to the entity.
  - — other entities within the entity's control.
  - — a management's specialist.
- *External information sources and other external parties.* Information to be used as evidence may be obtained from
  - — entities in the value chain. For value chain information, the framework criteria may recognize that management's ability to access information directly from value chain entities outside of the entity's control may be limited and therefore may include provisions that take into account the impact of such limitations on the responsibilities of management. For example, the framework criteria may permit management to use reasonable and supportable information (such as publicly available sector-average data) when management is unable to obtain information from the value chain entity after making reasonable efforts to do so. (See also paragraph A40 regarding the impact on the practitioner's work.)
  - — independent sources external to the entity, other than a management's or practitioner's specialist, that provide information, such as the entity's legal counsel, customers, suppliers, governmental agencies, banks, or general data providers (for example, entities providing macroeconomic, industry, or social data).
  - — an other practitioner, which may include a practitioner engaged by an entity to provide a one-to-many report.
  - — a service organization.
- *The practitioner.* Information to be used as evidence may be obtained using
  - — engagement resources.
  - — a practitioner's specialist. (See paragraph .A20 of proposed AT-C section 205.)

Using Information Reported on by an Other Individual (Ref: par. 36)

An Other Individual, Including an Other Practitioner, and the Accompanying Report

A72. The work of an other individual includes work that is performed as part of a separate engagement in accordance with a set of recognized standards that enable the individual to design and perform procedures aimed at gathering sufficient appropriate evidence to support an opinion or conclusion that the individual provides in a report accompanying the information. This work may have been performed by an other practitioner (that is, a CPA) in accordance with the attestation standards as part of an attestation engagement. Alternately, this work may have been performed by an other individual, who may or may not be a professional accountant, and who may perform an engagement in accordance with a different set of recognized standards that enable the individual to design and perform procedures aimed at gathering sufficient appropriate evidence to support an opinion that the individual provides in a report accompanying the information.

A73. Examples of work performed by an other individual, including an other practitioner, (with an accompanying report) include the following:

- A CPA performs an attestation engagement on the sustainability information in accordance with the attestation standards or also in accordance with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*.

- A service auditor performs an examination engagement of controls at a service organization in accordance with the attestation standards.

- A firm engaged in public accounting in a jurisdiction other than the United States of America issues an assurance report in accordance with ISSA 5000.

- A firm specializing in sustainability matters that is not a public accounting firm provides independent assurance on sustainability information using another set of recognized assurance standards.

- An accountant in a jurisdiction other than the United States of America issues an assurance report on sustainability information prepared by a value chain entity, in accordance with assurance guidelines published by a regulatory body, such as those issued by the European Commission.

- An engineering firm issues a verification report on sustainability information prepared by a value chain entity, in accordance with industry-developed standards and guidelines.

A74. An other individual may issue a document on sustainability information without having performed procedures aimed at gathering sufficient appropriate evidence to support an opinion and without expressing an opinion in an accompanying report. For example, a consultant might issue a document on sustainability information for a value chain entity. Although the document may be called a "report," the engagement was not performed in accordance with a recognized set of standards, and there is no accompanying report expressing an opinion. The requirements relating to information to be used as evidence are applicable to such documents, not the requirements relating to information reported on by an other individual.

Value Chain Components and One-to-Many Reports

A75. If the practitioner plans to use a one-to-many report as evidence, factors to consider in making the evaluation in accordance with paragraph 36 include the following:

- Whether the description of the procedures performed and the results thereof are appropriate for the practitioner's purposes

- The adequacy of the standards under which the report was issued

A76. In limited circumstances, the practitioner may be able to be sufficiently and appropriately involved in the work of another firm at a value chain component, in which case the other firm may be a participating practitioner. For example, the reporting entity may have a direct business relationship with a supplier that allows management to arrange for the practitioner to obtain access to information at that entity or access to the firm that has performed work on that information. Proposed AT-C section 105[56] addresses using the work of participating practitioners.

Risk Assessment Procedures

Designing and Performing Risk Assessment Procedures (Ref: par. 40)

A77. Risk assessment procedures are part of an iterative and dynamic process. Initial expectations may be developed about risks of material misstatement, which may be further refined as the practitioner progresses through the engagement or if new information is obtained. Risk assessment procedures by themselves do not provide sufficient appropriate evidence on which to base the practitioner's opinion.

A78. The nature and extent of risk assessment procedures will vary based on whether the engagement is a review or examination, the nature and circumstances of the entity (for example, the formality of the entity's policies or procedures and processes and systems), the nature and complexity of the sustainability matters, and the characteristics of the events or conditions that could give rise to material misstatements. The practitioner uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this section of this proposed SSAE as appropriate to the level of assurance to be obtained. The depth of understanding that is required by the practitioner is less than that possessed by management in managing the entity and is less for a review engagement than for an examination engagement.

A79. Analytical procedures may be used as risk assessment procedures to help identify inconsistencies, unusual events or conditions, and amounts, ratios, and trends that indicate matters that may have implications for the engagement. Unusual or unexpected relationships that are identified may assist the practitioner in identifying risks of material misstatement, including risks of material misstatement due to fraud.

Determining the Suitability of the Criteria (Ref: par. 43)

A80. Determining the suitability of the criteria during the examination engagement builds on the preliminary knowledge obtained and discussion with management in determining the criteria's suitability prior to acceptance or continuance of the engagement. The practitioner's risk

[56] Paragraph .45 of proposed AT-C section 105.

assessment procedures are different in nature and extent from the procedures that may be sufficient for acceptance or continuance of the examination engagement.

A81. If the criteria comprise framework criteria that are presumed to be suitable, it may be sufficient for the practitioner to determine that the entity has applied such criteria in preparing the sustainability information. In other circumstances, the practitioner may consider whether the evaluation of the criteria at the acceptance and continuance stage remains appropriate for the purposes of the practitioner's risk assessment procedures. If the practitioner's evaluation of the criteria is no longer appropriate, a more detailed determination of the suitability of the criteria is required in accordance with paragraph 43. This may be the case, for example, if entity-developed criteria are available only after the engagement is accepted, or if the entity applies criteria in preparing the sustainability information that differ from what the practitioner anticipated prior to acceptance or continuance of the engagement. This may be due to a range of factors, for example, the following:

- The criteria initially identified are no longer suitable for the entity's circumstances.
- There are changes in comparable industry practice.
- New or revised criteria become available.
- The entity applies more precise criteria.
- The framework criteria are insufficiently specific, necessitating entity-developed criteria to be developed.
- The entity-developed criteria are insufficiently specific, necessitating the entity to supplement them (see paragraph A82)

A82. Framework criteria may be considered not suitable on their own. For example, they may be subject to interpretation in application, or they may be incomplete. The process of developing the criteria and applying them to the sustainability matters may be complex, require judgment, and may be susceptible to bias. The determination required by paragraph 43 may result in the practitioner identifying disclosures where there is an increased susceptibility to misstatement or cause the practitioner to reevaluate the suitability of the criteria.

A83. Understanding the process for identifying or developing and applying the criteria, including the entity's process to identify sustainability information to be reported, may also help the practitioner determine the suitability of the criteria, including whether the criteria

- address the purpose of the sustainability information.
- are transparent.
- involve engagement with intended users or their representatives in identifying their information needs for decision-making.
- address how the criteria are applied in the entity's circumstances, including the selection and application of reporting policies consistent with the applicable criteria.
- provide appropriate reasons for using the criteria.

- are appropriately specific regarding how the sustainability matters should be measured or evaluated.

A84. In some circumstances, the practitioner may determine that the criteria for qualitative information are unsuitable. For example, not all the characteristics for suitable criteria are exhibited because the criteria lack specificity, or criteria for the qualitative information do not exist. In such circumstances, the practitioner may consider

- requesting that the entity develop suitable criteria.
- requesting that the entity not report the information that would result from applying the unsuitable criteria, but if the entity decides to report that information, clearly identifying the information as other information that is not within the scope of the attestation engagement.
- whether the information may be misleading and the impact on acceptance and continuance of the engagement.
- the impact on the practitioner's opinion.

Specific Considerations for Determining the Suitability of Criteria for Performance

A85. In evaluating whether the criteria to evaluate the entity's performance are suitable, the practitioner may consider whether the criteria encompass

- measures or benchmarks used to set the targets, key performance indicators, commitments, or other goals against which performance is to be measured; and
- methods of measurement or evaluation of the entity's performance.

Specific Considerations for Determining the Suitability of Criteria for Forward-Looking Sustainability Information

A86. In evaluating whether the criteria to be applied in preparing the entity's forward-looking information are suitable, the practitioner may consider whether the criteria encompass

- the basis of the assumptions to be made and the nature, sources, and extent of uncertainty inherent in those assumptions; and
- the measurement or evaluation methods to be used for the forward-looking sustainability information to be prepared on the basis of the assumptions in the preceding bullet.

Characteristics of Suitable Criteria

A87. Proposed AT-C section 105[57] states that suitable criteria exhibit the characteristics of

[57] Paragraph .A58 of proposed AT-C section 105.

relevance, objectivity, measurability, and completeness.

Relevance of the Criteria

A88. In evaluating whether the criteria are relevant, the practitioner may consider whether the criteria

- result in sustainability information that assists decision-making by the intended users.
- were developed through a process, by the entity or an external party, that focused on identifying or evaluating whether the sustainability information assists decision-making by the intended users, including the general types of decisions that intended users are expected to make based on the purpose of the sustainability information.
- address the inherent level of measurement or evaluation uncertainty in applying the criteria in the circumstances of the engagement, including whether the sustainability information that is subject to high inherent measurement or evaluation uncertainty will be accompanied by disclosures that make the nature and extent of the uncertainty clear.
- specify the level of disaggregation or aggregation of the information or include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.
- are consistent with those generally recognized to be appropriate in the context of the entity's industry or sector or whether there are justifiable reasons not to use such criteria (for example, the entity develops more relevant criteria).
- permit omissions of sustainability disclosures only in circumstances in which it is appropriate to do so. For example, the criteria may allow the entity to exclude certain disclosures if
  - — the reporting processes have not yet fully matured, such that the information is incomplete or unavailable, and the criteria require the entity to disclose this fact and its reasons for omitting the disclosures.
  - — a disclosure is not applicable to the entity's circumstances.
  - — there are legal constraints preventing the disclosure.
  - — in extremely rare circumstances, the sustainability information is confidential, or the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of doing so, such as information that might prejudice an investigation into an actual, or suspected, illegal act.
- are specific to the topics and aspects of the topics that will result in information that assists decision-making by the intended users, such as whether the criteria for
  - — processes, systems, or controls include, for example, control objectives to evaluate the effectiveness of their design.
  - — performance include the targets, key performance indicators, commitments, or goals against which performance is measured and methods of measurement or evaluation of that performance.
  - — forward-looking information include the basis for evaluating the reasonableness of the underlying assumptions and methods of preparation based on those assumptions.
  - — historical information include methods of measurement or evaluation of the entity's activities.

A89. Relevant criteria that assist the decision-making of intended users may relate to

- either
  - — the material impacts of ESG matters on the entity's strategy, business model, and performance, which may be referred to as "financial materiality"; or
  - — the material impacts of the entity's activities, products, and services on the environment, society, or the economy, which may be referred to as "impact materiality."
- double materiality, that is, both financial materiality and impact materiality.

Objectivity of the Criteria

A90. In evaluating whether the criteria are objective, the practitioner may consider whether the criteria

- require a balanced disclosure of both favorable and unfavorable information and are not subject to management bias by excluding any topics or aspects of topics only on the basis that they may reflect poorly on the entity.
- do not result in information that is misleading to the intended users in the interpretation of the sustainability information.
- are consistent between reporting periods, unless there is a reasonable basis for the change.
- address how the information is presented and disclosed, to reduce the opportunity for management bias.

A91. When the criteria are not consistent with previous reporting periods, the practitioner may consider whether

- the entity has a reasonable basis for the change; for example, the entity may be developing and improving its process to prepare the sustainability information, and the entity-developed criteria may have been changed to reflect more appropriate or modern approaches, data, or methods.
- the basis for the change is sufficiently disclosed and explained in the sustainability information.
- the criteria are different from those commonly used in the entity's industry or sector, as this may be an indicator of management bias.
- the change results in information that is always positive; for example, management changes the criteria year on year so that the outcome looks more positive.

A92. Additional considerations in evaluating whether the criteria are objective include whether the criteria

- are clear and unambiguous.
- will enable the intended users to readily identify the main points being made and to appropriately infer whether those points affect their decision-making.
- will result in a presentation that does not obscure relevant information.
- will result in clear presentation of the sustainability information in a way that effectively summarizes and draws attention to key features of the information reported.
- will result in the sustainability information being coherent, easy to follow, clear, and logical.
- will result in sustainability information that can be readily located. (For example, the information may be difficult to locate if it is spread across different reports, webpages, or included by reference.)
- will result in sustainability information that is appropriately balanced between conciseness (to be understandable) and relevance.
- will result in logical and comparable time periods, whether those be
  - — a point in time (for example, for description or implementation of a process not covering the period).
  - — periods that have ended (for example, for historical information).
  - — periods that end in the future (for example, for strategy, targets, or commitments).

Measurability of the Criteria

A93. In evaluating whether the criteria are measurable, the practitioner may consider

- whether the measurement or evaluation of the sustainability matters can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances.
- whether the criteria are based on definitions with little or no ambiguity.
- whether applying the criteria allows for reasonably consistent measurement or evaluation of the sustainability matters when used in similar circumstances by different parties.
- the sources of the criteria and the process used to develop them.

Completeness of the Criteria

A94. Proposed AT-C section 105[58] states that criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. In evaluating the completeness of the criteria, including entity-developed criteria to supplement any framework criteria used, the practitioner may consider whether the criteria address

- topics or aspects of topics that could reasonably be expected to affect decisions of intended users or that cannot be as readily measured or evaluated as other topics or aspects of topics.
- the basis for significant judgments in preparing the sustainability information.
- the source of significant inherent uncertainties in applying the criteria.
- the reporting boundary.

Understanding the Entity's Reporting Policies (Ref: par. 44)

A95. The criteria need to encompass sufficient principles as the basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the criteria, as explained in paragraph A3. If the existing criteria do not provide sufficient principles for the entity to select and apply reporting policies, criteria from another framework may need to be identified or entity-developed criteria may need to be developed. Matters that the practitioner may consider when obtaining an understanding of the entity's selection and application of reporting policies, including any changes and the reasons for those changes, may include the following:

- Reporting policies used by similar entities, such as those in the same industry or jurisdiction
- The methods the entity uses to recognize, measure, present, and disclose significant sustainability information or to address unusual or exceptional circumstances
- The effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus
- Changes in the environment, such as changes in the criteria, law or regulation, or accepted interpretation of the criteria that may necessitate a change in the entity's reporting policies
- Criteria and laws or regulations that are new to the entity and when and how the entity will adopt, or comply with, such requirements

Understanding the Entity and Its Environment

[58] Paragraph .A58 of proposed AT-C section 105.

*Understanding the Entity's Operations, Legal and Organizational Structure, Ownership and Governance, and Business Model (Ref: par. 45*a*)*

A96. The practitioner uses professional judgment to determine the characteristics of the entity and its environment that are relevant to the sustainability information and therefore are necessary to understand. The practitioner's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective of the risk assessment procedures. The practitioner's understanding may involve less effort when the scope of the attestation engagement is limited to certain sustainability information (for example, discrete metrics). On the other hand, a broader understanding of the entity and its environment may be necessary if the scope of the attestation engagement addresses multiple topics or aspects of the topics. Similarly, the depth of understanding of the entity and its environment necessary for a review engagement may be less than the depth of understanding necessary in an examination engagement.

A97. The practitioner's understanding of the entity and its environment may include an understanding of the following:

- The nature of the entity and its sustainability-related business risks, including
  —the nature of the operations included in the reporting boundary, including
    - whether the activities or operations within the reporting boundary are internal or external to the entity;
    - the contribution of each activity or operation to the sustainability information, including entities or operations within the value chain, if material to the sustainability information; and
    - the uncertainties associated with the quantities reported in the sustainability information

  —changes from the prior period in the nature of the entity, its business risks, or the reporting boundary, including whether there have been any mergers, acquisitions, disposals, or outsourcing of functions

  —the frequency and nature of interruptions to operations
- The maturity of the processes and controls over sustainability information and the extent to which they integrate the use of IT

Understanding the Reporting Boundary (Ref: par. 45b)

A98. Understanding the reporting boundary may require the analysis of complex organizational structures (for example, multiple operating units in different jurisdictions), contractual relationships, and activities within the entity's value chain. The way operations are organized may also have implications for the reporting boundary. For example, a facility may be owned by one party, operated by another, and process materials solely for a third party, but the sustainability activities of all three entities may be within the reporting boundary. Understanding activities within the reporting boundary helps the practitioner do the following:

- Understand whether the disclosures are affected by complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud.
- Identify disclosures for which it may be necessary to use the work of others to obtain

sufficient appropriate evidence.
- Identify the members of the engagement team and other parties with whom the engagement partner discusses the susceptibility of disclosures to material misstatements whether due to fraud or error.
- Consider or determine an appropriate materiality for the applicable disclosures.
- Determine the nature, timing, and extent of further procedures.
- Identify disclosures for which it may be difficult to obtain sufficient appropriate evidence and, as a result, the implications for the practitioner's report.

*Understanding the Entity's Goals, Targets, or Strategic Objectives (Ref: par. 45*c*)*

A99. Understanding goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

Understanding the Legal and Regulatory Framework (Ref: par. 46)

A100. The effect on the sustainability information of laws or regulations will vary. Those laws or regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations may have a direct effect on the sustainability information, in that they may determine the criteria to be applied or specify disclosures required to be included in an entity's sustainability information.

A101. Other laws or regulations may not have a direct effect on the determination of the disclosures in the sustainability information, but compliance with them may be fundamental to the operating aspects of the business. Noncompliance with laws or regulations that have a fundamental effect on the operations of the entity may have consequences for the entity's disclosures.

A102. To obtain an understanding of the legal and regulatory framework, and how the entity complies with that framework, the practitioner may, for example, do the following:

- Use the practitioner's existing understanding of the entity's industry, regulatory, and other external factors.
- Update the understanding of those laws or regulations that establish criteria, frameworks, standards, or guidance.
- Inquire of management regarding other laws or regulations that may be expected to have a fundamental effect on the operations of the entity.
- Inquire of management concerning the entity's policies or procedures regarding compliance with laws or regulations.

Understanding the Components of the Entity's System of Internal Control (Ref: par. 47)

A103. Understanding components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information assists the practitioner in identifying the types of misstatements that may occur and factors that affect risks of material misstatement in the disclosures. *Achieving Effective Internal Control Over Sustainability Reporting (ICSR): Building Trust and Confidence Through the COSO* Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, discusses how the components of an internal control system may be applied to sustainability information reporting and may be a helpful resource for practitioners in understanding the entity's system of internal control.

A104. The level of formality of the entity's system of internal control, including the control environment, the entity's risk assessment process, and process to monitor the system of internal control, may vary by size and complexity of the entity and by the nature and complexity of the sustainability matters and the criteria.

A105. The nature and extent of the practitioner's understanding of the components of the entity's system of internal control may vary depending on the complexity of the attestation engagement and the nature and complexity of the sustainability matters. As the entity and sustainability matters become more complex, more extensive procedures may be necessary to obtain the understanding, for example, by performing a walk-through to confirm inquiries of entity personnel. A walk-through involves selecting events or conditions and tracing them through the applicable process in the information system.

A106. In some circumstances, the sustainability information is about the entity's controls (that is, the controls are the aspects of the topics). For example, the sustainability information may describe the design, implementation, or effectiveness of controls over occupational health and safety. Proposed AT-C section 205[59] requires the practitioner to obtain an understanding of the subject matter (in this case, controls over occupational health and safety). In these circumstances, paragraph 47 requires the practitioner to obtain an understanding of the entity's system of internal control related to the processes used to design, implement, or operate the controls over occupational health and safety and the processes to prepare information about those controls.

A107. The practitioner may expect more formal documentation of the information system and controls when the information system and controls form part of the sustainability matters (for example, when the sustainability information is about the entity's controls).

A108. The practitioner's understanding of the relevant components of the entity's system of internal control may raise doubts about the practitioner's ability to obtain sufficient appropriate evidence on which to base the practitioner's opinion or may indicate a need to withdraw from the engagement, if withdrawal is practicable. For example,

- concerns about the integrity of those preparing the sustainability information may be so serious as to cause the practitioner to conclude that the engagement cannot be conducted.
- concerns about the competence of management and the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified opinion on the

[59] Paragraph .35 of proposed AT-C section 205.

sustainability information.

The Control Environment (Ref: par. 48)

A109. The practitioner's understanding of the control environment, such as how the entity demonstrates behavior consistent with the entity's commitment to integrity and ethical values, may assist the practitioner in identifying risks of material misstatement. For example, deficiencies in the control environment may result in risks of material misstatement in disclosures throughout the sustainability information.

A110. The practitioner's evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the entity's system of internal control. This is because the control environment is foundational to the other components of the entity's system of internal control. This evaluation may also assist the practitioner in identifying and assessing the risks of material misstatement.

A111. The practitioner's understanding of the control environment may include understanding the controls, processes, and structures that address

- how management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values.
- when those charged with governance are separate from management, the independence of, and oversight over, the entity's system of internal control by those charged with governance.
- the entity's assignment of authority and responsibility.
- how the entity attracts, develops, and retains competent individuals.
- how the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the entity's system of internal control.

Scalability

A112. Information about the control environment in less complex entities might not be available in documentary form, in particular, when communication between management and other personnel is informal, but the information may still be appropriately relevant and reliable in the circumstances. For example, the practitioner may observe the entity's past and current practices and engagement with stakeholders. Such observations may contribute to the practitioner's understanding of the components of the entity's system of internal control, even if policies have not been documented formally.

The Entity's Risk Assessment Process (Ref: par. 49)

A113. Understanding the results of the entity's risk assessment process may assist the practitioner in

- identifying and assessing risks of material misstatement in the disclosures; and
- obtaining an understanding of sustainability matters and other engagement circumstances.

A114. The practitioner's evaluation of whether the entity's risk assessment process is appropriate to the entity's circumstances allows the practitioner to understand where the entity has identified risks that may occur and how the entity has responded to those risks. The practitioner's evaluation of how the entity identifies its risks and how it assesses and addresses those risks assists the practitioner in understanding whether the risks faced by the entity have been identified, assessed, and addressed as appropriate to the nature and complexity of the entity.

A115. In some cases, the criteria may require the entity to identify and provide information about sustainability-related risks and opportunities, or the processes by which sustainability-related risks and opportunities are identified, assessed, and managed. Therefore, understanding the results of the entity's risk assessment process may also assist the practitioner in identifying and assessing risks of material misstatement related to the appropriate application of the criteria by the entity. For example, if the practitioner identifies potential deficiencies in the entity's risk assessment process, the practitioner may determine that there is a heightened risk that sustainability matters required to be reported in accordance with the criteria may not have been identified by the entity and, therefore, the presentation or description of such matters in the sustainability information may be incomplete.

A116. Not all risks identified by the entity give rise to risks of material misstatement. In understanding how management and those charged with governance have identified risks relevant to the preparation of the sustainability information, and decided about actions to address those risks, the practitioner may consider how management or, as appropriate, those charged with governance, have

- specified the entity's objectives with sufficient precision and clarity to enable the identification and assessment of the risks relating to the objectives.
- identified the risks to achieving the entity's objectives and analyzed the risks as a basis for determining how the risks should be managed.
- considered the potential for fraud when considering the risks to achieving the entity's objectives.

A117. If the practitioner identifies risks that the entity failed to identify, and those risks are of the kind that the practitioner expects would have been identified by the entity's risk assessment process, it may be an indicator that the entity's risk assessment process is not appropriate to the entity's circumstances.

The Entity's Process for Monitoring the System of Internal Control (Ref: par. 50)

A118. Understanding the results of the entity's process for monitoring the system of internal control may assist the practitioner in

- identifying and assessing risks of material misstatement in the disclosures;
- obtaining an understanding of the sustainability matters and other engagement circumstances; and
- determining whether to obtain evidence from testing controls.

A119. Understanding the results of the entity's process for monitoring the system of internal control may provide information about deficiencies in controls; however, the absence of results of the entity's process for monitoring the system of internal control does not necessarily indicate that controls are operating effectively. The absence of results may be indicative of an ineffective process for monitoring the system of internal control.

A120. Understanding the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding the following:

- Those aspects of the entity's process that address
  - — ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified
  - — the entity's internal audit function, if any, including its nature, responsibilities, and activities
- The sources of information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose

A121. The practitioner's evaluation of the entity's process for monitoring the system of internal control assists the practitioner in understanding the other components of the entity's system of internal control. This evaluation may also assist the practitioner with identifying and assessing risks of material misstatement at the underlying assertion level for the disclosures.

A122. Matters that may be relevant for the practitioner to consider when understanding how the entity monitors its system of internal control include the following:

- The design of the monitoring activities, for example, whether it is periodic or ongoing monitoring
- The performance and frequency of the monitoring activities
- The evaluation of the results of the monitoring activities, on a timely basis, to determine whether the controls have been effective
- How identified deficiencies have been addressed through appropriate remedial actions, including timely communication of such deficiencies to those responsible for taking remedial action

A123. The practitioner may also consider how the entity's process to monitor the system of internal control addresses monitoring of information-processing controls that involve the use of IT. This may include, for example, the following:

- Controls to monitor complex IT environments that
  - — evaluate the continuing design effectiveness of information-processing controls and modify them, as appropriate, for changes in conditions; or
  - — evaluate the operating effectiveness of information-processing controls
- Controls that monitor the permissions applied in automated information-processing controls that enforce the segregation of duties
- Controls that monitor how errors or control deficiencies related to the automation of sustainability reporting are identified and addressed

Scalability

A124. In less complex entities, and in particular owner-manager entities, the practitioner's understanding of the entity's process to monitor the system of internal control is often focused on how management or the owner-manager is directly involved in operations, as there might not be any other monitoring activities.

A125. For entities where there is no formal process, understanding the process to monitor the system of internal control may include understanding periodic reviews of information that are designed to contribute to how the entity prevents or detects misstatements.

The Information System and Communication (Ref: par. 51)

A126. The practitioner uses professional judgment to determine which aspects of the information system are relevant to the sustainability matters and the preparation of the sustainability information and may make inquiries of management about those aspects and perform other procedures, as necessary.

A127. The understanding of the information system may include an understanding of the entity's information-processing activities, its data and information, the resources to be used in such activities, and the policies or procedures that define, for the sustainability information, the following:

- How data and information, including qualitative information, are captured, recorded, processed, reviewed, corrected, and presented, including whether, and if so, how, the entity centralizes activities relevant to sustainability reporting. Such policies or procedures may include internal verification processes whereby the data and information are checked by a reviewer for accuracy and completeness and signed off to evidence that the review has taken place.
- Supporting records and other relevant information about the sustainability matters relating to the flow of information in the information system.

- The processes used to prepare the sustainability information, including the aggregation process used, including, if any, aggregation adjustments.

A128. The practitioner's understanding of the information system may be obtained in various ways and may include

- inquiries of relevant personnel about the procedures used to initiate, record, process, and report events and conditions related to the topics and aspects of the topics;
- inspection of policy or process manuals or other documentation of the information system;
- observation of the performance of the policies or procedures by the entity's personnel; or
- selecting events or conditions and tracing them through the applicable process in the information system (that is, performing a walk-through).

A129. The entity's information system and communication are likely to involve the use of IT to collect or process data and information. Entities may use complex IT applications, simple spreadsheets, or paper-based records, or a combination of these. The information system includes the IT environment, IT applications, and other aspects of the IT environment that are relevant to the flows and processing of information in the information system. The entity's use of IT applications or other aspects of the IT environment may give rise to risks arising from the use of IT. For example, changes in the flow of information within the information system may result from program changes to IT applications or direct changes to data in databases involved in processing or storing that information.

Scalability

A130. The information system and how the entity communicates in smaller or less complex entities are likely to be less sophisticated and are likely to involve a less complex IT environment than in larger and more complex entities. Less complex entities with direct management involvement may not need extensive descriptions of procedures, sophisticated records, or written policies. Understanding the relevant aspects of the entity's information system may therefore require less effort in an engagement for a less complex entity and may involve a greater amount of inquiry than observation or inspection of documentation. The need to obtain an understanding, however, remains important to provide a basis for the design of further procedures and may further assist the practitioner in identifying and assessing risks of material misstatement.

Understanding the Entity's Process to Identify Sustainability Information to Be Reported (Ref: par. 51*a*)

A131. The practitioner may consider whether the entity's process to identify sustainability information to be reported includes the following:

- Identification of, or engagement with, the intended users, or the stakeholders they represent, to determine their information needs
- The entity's selection or development of suitable criteria, which provides the basis for the identification of sustainability information to be reported prior to the consideration of materiality
- The appropriate application of the criteria to identify sustainability information to be reported, including the identification of topics, aspects of topics, and reporting boundary

- Filtering of the sustainability information to select material information to be reported

A132. If the entity does not have a suitable process to identify sustainability information to be reported, then the topics or aspects of topics selected may be incomplete or include sustainability information that is not relevant or that obscures material sustainability information. Because the entity's process includes management judgment, there is risk of management bias when identifying the sustainability information to be reported. The greater the degree to which the sustainability reporting framework or law or regulation specifies in detail the sustainability information to be reported, the lower the risk of material misstatement may be as there is less opportunity for management bias.

A133. The extent of the practitioner's work effort in obtaining an understanding of the entity's process to identify sustainability information to be reported will depend on the nature and circumstances of the engagement. For some engagements, the sustainability reporting framework or law or regulation may specify sustainability information to be reported, and the procedures may be limited to identifying those requirements and understanding whether the sustainability information required to be reported is included in the sustainability information. In other engagements, the framework criteria or entity-developed criteria may not specify the sustainability information, or may specify only certain sustainability information to be reported and may set out the process the entity is required to follow to identify the sustainability information, or additional sustainability information to be reported. Alternatively, the entity may need to develop its own criteria for that process. In these circumstances, the entity's process is likely to be more complex and is likely to affect the nature and extent of the practitioner's procedures.

Understanding How Information From External Sources Is Recorded, Processed, Corrected, and Incorporated (Ref: par. 51*b*)

A134. The understanding of how information from external sources is recorded, processed, corrected as necessary, and incorporated into the sustainability information may also include an understanding of the following:

- The nature and significance of the data or information provided by external sources
- How the entity addresses the reliability of information from external sources, for example, by
  - — monitoring information provided to, and received back from, the external source;
  - — considering the reputation of the external source; and
  - — considering whether there are other sources of similar information, and whether the information from different available sources is aligned

Evaluating the Information System to Support the Preparation of the Sustainability Information (Ref: par. 52)

A135. The understanding of the information system may also include an understanding of how the entity communicates significant matters that support the preparation of the sustainability information and related reporting responsibilities in the information system and other components of the entity's system of internal control. This may include understanding communication

- between people within the entity, including how roles and responsibilities are communicated.
- between management and those charged with governance.
- with intended users.
- with external parties, such as regulatory authorities.

Control Activities (Ref: par. 53–54)

A136. Complementary user entity controls are controls that the party responsible for an organization (or segment of an organization) that provides services to user entities assumes, in the design of its system, will be implemented by user entities and are necessary to achieve the control objectives or service commitments and system requirements stated in the description of that organization's system prepared by the party responsible for that organization. Depending on the nature of the information that is the subject of the report of an other practitioner, that report may identify complementary user entity controls that, if relevant to the user entity, may need to be designed and implemented by the user entity to have an appropriate basis for using the information obtained in preparing the subject matter information.

A137. The practitioner's identification and evaluation of controls in the control activities component of the entity's system of internal control may focus on information-processing controls, which are controls applied during the processing of information in the entity's information system that directly address risks to the integrity of information (that is, the completeness, accuracy, and validity of information). However, the practitioner is not required to identify and evaluate all information-processing controls.

A138. An attestation engagement does not require an understanding of all the controls related to each disclosure or to every assertion relevant to them.

A139. Examples of other controls for which it may be appropriate for the practitioner to obtain an understanding include the following:

- Controls that address risks of material misstatement assessed as high due to the likelihood and magnitude of misstatement (See paragraph A154.)
- Controls that are related to the assembly of, or adjustments to, the sustainability information
- If the entity uses a service organization, controls at the entity that relate to the services provided by the service organization

A140. Identifying IT applications and other aspects of the IT environment, related risks arising from the use of IT, and general IT controls in place to address those risks affects the practitioner's decisions on testing controls, assessing risks of material misstatement, testing information produced by IT applications, and designing further procedures.

A141. In identifying IT applications subject to risks arising from IT, the practitioner may consider the entity's automated controls, information storage and processing, and reliance on general IT controls. The extent of understanding and the number of applications subject to risks arising from the use of IT vary based on the entity's complexity. When the practitioner has identified IT applications that are subject to risks arising from IT, other aspects of the IT environment (for example network, operating systems, databases, and interfaces between IT applications) are likely to be identified because such aspects support and interact with the identified IT applications.

A142. Risks arising from IT may include unauthorized access, program changes, and inappropriate data changes, and their extent depends on the nature and characteristics of the IT applications and environment.

Design and Implementation of Controls (Ref: par. 55)

A143. Evaluating the design of an identified control involves the practitioner's consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements (that is, the control objective).

A144. The practitioner determines the implementation of an identified control by establishing that the control exists and that the entity is using it. There is little point in the practitioner assessing the implementation of a control that is not designed effectively. Therefore, the practitioner evaluates the design of a control first. An improperly designed control may represent a control deficiency.

A145. The practitioner may conclude that a control that is effectively designed and implemented may be appropriate to test in order to take its operating effectiveness into account in determining the nature, timing, and extent of further procedures. However, when a control is not designed or implemented effectively, there is no benefit in testing it.

A146. When the practitioner plans to test the operating effectiveness of a control, the information obtained about the extent to which the control addresses the risks of material misstatement is an input to the practitioner's risk assessment.

A147. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, the practitioner may plan to test the operating effectiveness of automated controls by identifying and testing general IT controls that provide for the consistent operation of the automated controls instead of testing the operating effectiveness of the automated controls directly. General IT controls that are not able to be reconfigured or changed by management provide for the consistent operation of an automated control.

Identifying Control Deficiencies (Ref: par. 56)

A148. If deficiencies are identified related to the control environment, this may affect the practitioner's overall expectations about the operating effectiveness of controls and, therefore, the practitioner's plans to test the operating effectiveness of controls.

A149. When understanding the components of the entity's system of internal control, the practitioner may determine that certain of the entity's policies are not appropriate to the nature and circumstances of the entity. Such a determination may be an indicator that control deficiencies exist. The practitioner may consider the effect of those control deficiencies on the design of further procedures and whether to communicate the deficiencies to management or those charged with governance.

A150. Circumstances that may indicate that control deficiencies exist include matters such as the identification of the following:

- Fraud of any magnitude that involves senior management
- Deficiencies in the control environment
- Risks of material misstatement that were not identified by the entity's risk assessment process
- The omission of sustainability matters from the sustainability information that are required to be reported by the criteria and that are material, when those sustainability matters were not identified by the entity's process to identify sustainability information to be reported
- The inclusion of immaterial sustainability matters that obscure sustainability matters to be reported within the sustainability information

A151. If the practitioner's evaluation of the entity's control environment or other components of internal control raises doubts about the ability to obtain evidence on which to base the practitioner's opinion, the practitioner may

- perform additional risk assessment procedures until evidence has been obtained to alleviate the practitioner's doubts.
- withdraw from the engagement when permitted by law or regulation.
- consider the implications for the practitioner's report.

Identifying and Assessing the Risks of Material Misstatement (Ref: par. 57)

A152. Identifying and assessing the risks of material misstatement involves professional judgment based on the practitioner's understanding of the sustainability matters and the sustainability information and the entity and its environment.

A153. Identifying and assessing the risks of material misstatement also involves the practitioner considering the potential for a misstatement occurring (that is, its likelihood) and being material if it were to occur (that is, whether the potential misstatement is of a magnitude or severity that could reasonably be expected to influence the decisions of users).

A154. The combination of the likelihood and magnitude of a potential misstatement determines where within the spectrum of risk the identified risk is assessed. Making this assessment informs the practitioner's design of further procedures to address the risk. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk.

A155. The manner in which the practitioner groups the disclosures for purposes of planning and performing the engagement (see paragraphs A43–A45) affects how the practitioner identifies and assesses the risks of material misstatement.

A156. In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and quantitative aspects of the possible misstatement (that is, misstatements in a disclosure may be judged to be material due to size, nature, or circumstances). The qualitative and quantitative factors in paragraphs A50 and A51, respectively, may be helpful in this regard.

A157. The practitioner's consideration of the magnitude of a potential misstatement in a qualitative disclosure may depend on the importance of that disclosure to the intended users. For example, intended users may place more importance on the entity's efforts to reduce carbon emissions than its efforts to enhance community engagement. Therefore, intended users may have a lower tolerance for a misstatement of disclosures about efforts to reduce carbon emissions than a misstatement of disclosures about efforts to enhance community engagement.

A158. Examples of a practitioner's consideration of the magnitude of a potential misstatement in a qualitative disclosure include the following:

- The practitioner may identify and assess a risk of misstatement in an entity's disclosure that its efforts to reduce carbon emissions include enhancing its carbon capture and storage capacities and that describes its plans to acquire the technology to do so. This identification and assessment may be based on the practitioner's understanding of
  - —the pressures the entity faces to reduce carbon emissions to meet regulatory targets; and
  - —the fact that acquiring the technology to capture and store carbon likely would be cost prohibitive to the entity.
- Whether the practitioner considers the misstatement material, if it were to occur, depends on the importance that intended users place on the disclosure and the magnitude of misstatement that would influence the decisions of intended users, which may be influenced by factors including the following:
  - —Current or past trends in carbon emissions for the entity and the industry
  - —Whether the plan to reduce carbon emissions is important to meeting legal or regulatory emissions targets
  - —Whether the plan to enhance carbon capture and storage capacities is the primary approach, or part of a multi-pronged approach, to reducing carbon emissions
  - —Whether customers, employees, or investors in the industry place importance on carbon emissions

A159. The sustainability reporting framework may require disclosure of a large number of individual metrics for different sustainability matters. In these circumstances,

- the practitioner may treat a group of metrics as a disclosure for purposes of identifying and assessing the risks of material misstatement (that is, the practitioner need not identify and assess the risk of material misstatement for each individual metric.) This may be the case, for example, if intended users are more likely to focus on the group of metrics rather than individual metrics.

- depending on the facts and circumstances, the practitioner may determine that the risks of material misstatement for certain metrics or groups of metrics are acceptable in the circumstances (that is, the risks are at an acceptable level for the engagement). In these circumstances, the practitioner need not design and perform further procedures to address the risks of material misstatement for these metrics. Irrespective of the assessed risks of material misstatement, proposed AT-C section 205[60] requires the practitioner to perform substantive procedures related to the subject matter.

A160. The attestation engagement (and the practitioner's opinion) may relate only to certain metrics. In these circumstances, it is more likely that the individual metrics may be of significance to intended users. Therefore, the practitioner would ordinarily identify and assess the risks of material misstatement for each individual metric.

A161. Risks of material misstatement may relate to one or more entities within the reporting boundary. In these circumstances, the practitioner may consider using the work of a participating practitioner to identify and assess the risks of material misstatement. However, the practitioner remains responsible for the identification and assessment of risks of material misstatement of the group sustainability information and for the design and performance of further procedures to respond to the assessed risks.

A162. In an examination of sustainability information, in identifying and assessing the risks of material misstatement, the practitioner uses assertions to consider the different types of potential misstatements that may occur. The practitioner may use the assertions described below or may express them differently, provided all aspects described below have been covered. Assertions may include the following:

- *Occurrence and existence.* The disclosures are related to events or conditions that have occurred or exist.
- *Responsibility.* The disclosures pertain to the entity.
- *Completeness.* All events or conditions, pertaining to the entity and the reporting boundary, that should have been included in the sustainability information have been included.
- *Accuracy and valuation*. The disclosures, including estimates, have been appropriately measured, evaluated, or described in accordance with the criteria.
- *Cutoff.* The disclosures have been recorded in the reporting period to which they relate.
- *Presentation, classification, and understandability.* The disclosures are appropriately

[60] Paragraph .59 of proposed AT-C section 205.

aggregated or disaggregated, structured appropriately, and presented and described in accordance with the criteria, and are clearly expressed.

- *Consistency.* The criteria and application of the criteria are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed, and comparative information, if any, is as reported in the prior period or has been appropriately restated.

A163. Misstatements may arise as a result of human error, process flaws, management bias, or fraud. Examples of different types of possible misstatements include the following:

- *False claims in information (occurrence and existence, or responsibility assertion).* For example, if an entity claimed responsibility for community investment or environmental cleanup that did not actually occur or was done by another party.

- *Recording information in the incorrect period (cutoff assertion).* For example, recording an entity's water used in the period preceding or following the period in which the water was actually used.

- *Inaccuracies in information (accuracy and valuation assertion).* For example, arising from inaccurately calibrated measuring devices, transposition, or other errors in the recording of measurements, or use of inappropriate conversion factors, such as use of a carbon dioxide conversion factor for nuclear energy when the entity has coal and oil-fired facilities.

- *Omission of information (completeness assertion).* For example, a company reports on its land rehabilitation program for three of its mining sites but remains silent about two sites where significant degradation has occurred and where there are no plans to rehabilitate the land.

- *Incorrectly classified information (presentation, classification, and understandability assertion).* For example, the entity classifies seasonal contractors (mainly female) as permanent full-time employees, which results in erroneous reporting about gender representation in its permanent workforce.

- *Misleading or unclear representation of information (presentation, classification, and understandability assertion).* For example, the preparer gives undue prominence to favorable information by using large, bold, or brightly colored text and images, or other ways to emphasize the presentation, but presents unfavorable information less conspicuously, for example, by using small or light-colored font and less extensive text.

- *Bias in information that focuses on positive aspects of performance and omits negative aspects (presentation, classification, and understandability assertion).*

Evaluating the Evidence Obtained From the Risk Assessment Procedures (Ref: par. 59)

A164. The practitioner's evaluation of the components of the entity's system of internal control and understanding of controls, along with any control deficiencies identified, may

- influence the identification and assessment of risks of material misstatement for the disclosures; and
- indicate risks of material misstatement that may affect many disclosures and thus may require overall responses in accordance with paragraph 61.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures (Ref: par. 60)

A165. Determining the further procedures to be performed on a particular engagement is a matter of professional judgment. Because sustainability information may cover a wide range of circumstances, the nature, timing, and extent of such procedures are likely to vary considerably from engagement to engagement.

A166. Examples of reasons for the assessment given to a risk of material misstatement include the following:

- The inherent complexity of the sustainability matter or judgment in its measurement or evaluation. For example, a material misstatement may be more likely to arise in a sustainability disclosure where mass balance calculations are involved than when water consumption is read directly from a meter.
- The complexity of the organization, its ownership and control arrangements, or its geographical spread.
- Systems and processes that are less automated or still developing, such that there may be a greater likelihood of human error, processing flaws, or opportunity for unauthorized intervention.
- Incentives to misstate sustainability information, for example, if a particular target performance has to be met to retain a license to operate or to avoid fines, or to meet stakeholders' expectations.
- Inherent limitations in the capabilities of measuring devices (for example, water meters) or insufficient frequency of their calibration. Errors or inappropriate judgments made in measuring, evaluating, or disclosing the sustainability information, including in the assumptions used in making estimates, the use of inaccurate or incomplete base data on which estimates are based, or in circumstances in which complex calculations are involved (for example, when a mass balance approach is used to calculate water abstracted).
- The risk that unidentified aspects of the sustainability matter may be missed, for example, because of events or transactions outside of the normal course of business, because the preparer relies on a third party for information (for example, external meter readers or engineering firms to calculate water abstracted), or because of undetected water or wastewater leaks or similar.

- How weaknesses in the design of controls or the ineffective operation of controls might give rise to errors, processing flaws, or opportunities for unauthorized intervention.

A167. More persuasive evidence may be needed if the practitioner, through the understanding of the entity and its environment and its system of internal control, has identified matters such as the following:

- A higher assessed risk of material misstatement
- An increased focus of intended users on a topic or aspect of a topic
- The lack of a relationship between the sustainability information and other relevant information that precludes the performance of analytical procedures
- A control environment in which the entity does not demonstrate behavior consistent with a commitment to integrity and ethical values
- Risks of material misstatement that have not been identified by the entity's risk assessment process
- Information systems that are not appropriate to the circumstances of the entity
- A lack of maturity in the sustainability matters or the information system used to prepare the sustainability information
- Errors in the sustainability disclosure in the past
- A new area, topic, or aspect of a topic

Overall Responses (Ref: par. 61)

A168. The practitioner may identify circumstances that indicate that overall responses may be needed, such as the following:

- Deficiencies in the control environment may undermine other components of the system of internal control, in particular in relation to fraud. In such cases, material misstatements may occur in any assertion or in multiple assertions.
- There may be incentives for intentional misstatement of the sustainability information; for example, those who are directly involved with, or have the opportunity to influence, the reporting process may have a significant portion of their compensation contingent upon achieving aggressive targets or complying with laws or regulations that have a direct effect on the sustainability information.
- The practitioner may identify an increased risk of material misstatement that is pervasive throughout the sustainability information (that is, not related to one sustainability disclosure or assertion or to a few sustainability disclosures or assertions).

A169. Designing and performing overall responses may include, in addition to the responses described in proposed AT-C section 205,[61] the following:

- Obtaining more extensive evidence from procedures other than tests of controls
- Increasing sample sizes and the extent of procedures, such as the number of facilities at which procedures are performed

Substantive Procedures (Ref: par. 63)

A170. The practitioner's understanding of the entity's process to identify sustainability information to be reported may indicate that certain sustainability disclosures include information that is likely to be of particular importance to intended users (see also paragraphs A43–A45 regarding the aggregating of sustainability disclosures for purposes of planning and performing the engagement). However, the practitioner may determine that the risks of material misstatement for those sustainability disclosures are at an acceptably low level. Irrespective of the assessed risks of material misstatement, proposed AT-C section 205[62] requires the practitioner to perform substantive procedures. The need to perform substantive procedures, and the extent of such procedures, is a matter of professional judgment in the circumstances. In addition, the practitioner is not expected to design and perform substantive procedures for all sustainability disclosures. Rather, the substantive procedures may focus on the sustainability disclosures, or the information within those sustainability disclosures, that is expected to be of particular importance to intended users.

A171. The consideration of the need to design and perform substantive procedures for these sustainability disclosures reflects that

- the practitioner's assessment of the risks of material misstatement is judgmental.
- there are inherent limitations in internal control, including the possibility of management override. Therefore, for example, the practitioner may determine that testing the operating effectiveness of controls may need to be supplemented with limited tests of details.

A172. Analytical procedures performed in response to an assessed risk of material misstatement are substantive in nature and, therefore, proposed AT-C section 205[63] requires the practitioner to develop an expectation as the basis for evaluating the results of those procedures.

Extending the Conclusions of Substantive Procedures Performed at an Interim Date (Ref: par. 65)

A173. In some circumstances, the practitioner may determine that it is effective to perform substantive procedures at an interim date and to compare and reconcile information at the period-end with the comparable information at the interim date to

[61] Paragraph .51 of proposed AT-C section 205.
[62] Paragraph .59 of proposed AT-C section 205.
[63] Paragraph .61*c* of proposed AT-C section 205.

- identify amounts that appear unusual;
- investigate any such amounts; and
- perform substantive analytical procedures or tests of details to test the intervening period.

A174. Performing substantive procedures at an interim date without undertaking additional procedures at a later date increases the risk that the practitioner will not detect misstatements that may exist at the period-end. This risk increases as the remaining period is lengthened. The practitioner may consider factors such as the following in deciding whether to perform substantive procedures at an interim date:

- The control environment and other relevant controls
- The availability at a later date of information necessary for the practitioner's procedures
- The purpose of the substantive procedure
- The assessed risk of material misstatement
- The nature of the sustainability disclosures and related assertions
- The ability of the practitioner to perform appropriate substantive procedures or substantive procedures combined with tests of controls to cover the remaining period in order to reduce the risk that misstatements that may exist at the period-end will not be detected

Estimates and Forward-Looking Information (Ref: par. 66)

A175. Estimates and forward-looking information are distinct concepts that both involve a degree of uncertainty:

- Forward-looking information pertains to forecasted or projected (hypothetical) events and conditions. Estimates are typically related to current or past events or conditions.
- Forward-looking information is based on predictions and assumptions about the future, which may be based on events regarded as being most likely to occur, or hypothetical events or conditions. Estimates are based on historical data, current conditions, and reasonable assumptions.
- Both estimates and forward-looking information have some degree of uncertainty due to inherent limitations related to the measurement or evaluation of the underlying matters or because the estimate depends on the forecast of one or more events or conditions.
- Forward-looking information generally involves a higher degree of uncertainty compared with estimates, as it deals with future events that are inherently unpredictable. Estimates are generally grounded in more immediate and observable data compared with forward-looking information.

A176. Although forward-looking information and estimates are distinct concepts, the approach to testing them often involves similar procedures. Both estimates and forward-looking information involve a degree of uncertainty. Therefore, obtaining evidence about both takes into account management's judgment in developing the estimate or forward-looking information, including management's selection and use of appropriate methods, assumptions, and data. Because of the similarities and the approach to testing, for purposes of this section of this proposed SSAE, estimates and forward-looking information are addressed together.

A177. The criteria may require disclosure of the entity's intended future strategy, targets, or other intentions. For such forward-looking information, the practitioner is not required to obtain evidence about whether the strategy, target, or intention will be achieved or to come to a conclusion to that effect.

A178. When designing the procedures required for testing how management developed forward-looking information, the practitioner's procedures may include the following:

- Based on the practitioner's knowledge and experience, considering whether there are reasons to believe that the forward-looking information is clearly unrealistic
- Inspecting minutes of meetings or reports on the business's operations to evaluate whether
  - — management or those charged with governance have an intention and ability to follow the strategy;
  - — the target or intention exists; or
  - — there is a reasonable basis for the intended strategy or target

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations (Ref: par. 68)

A179. When communicating fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the appropriate level of management or, when appropriate, those charged with governance with whom to discuss these matters may depend on whether management may have been involved in the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations and whether any of those charged with governance are involved in managing the entity. If those charged with governance are not involved with managing the entity, the practitioner may communicate to them the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations involving management, employees who have significant roles in internal control, or where the fraud or noncompliance with laws or regulations results in a material misstatement in the sustainability information, unless that communication is prohibited by law, regulation, or ethical requirements.

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: par. 72a)

A180. Some framework criteria may allow the entity to omit information and explain what information has been omitted and why. For example, the entity may be permitted to omit information if a requirement is not applicable, information is unavailable or incomplete, or there are legal prohibitions or confidentiality constraints. In such cases, the omitted information may not be a misstatement. The practitioner may discuss the omission, and the reasons for it, with management and, where appropriate, those charged with governance before concluding whether the omission is a misstatement.

Communicating and Correcting Misstatements (Ref: par. 72*b*)

A181. In the case of narrative disclosures, asking management to correct a misstatement may involve management either rewording or removing the misstated text.

Determining Whether Uncorrected Misstatements Are Material (Ref: par. 72*c*)

A182. Determining whether uncorrected misstatements are material involves professional judgment in the context of the criteria and the engagement circumstances, including who the intended users are and what disclosures are likely to be important.

A183. It may be possible, after all nonquantifiable misstatements have been identified, to group them together, for example, by whether they relate, in common, to particular aspects of the sustainability matters. For example, there may be one or more individually immaterial misstatements in the qualitative statements management has made about occupational health and safety and another immaterial misstatement relating to employee diversity. Because occupational health and safety and diversity both relate to the social aspect of sustainability information, the practitioner may be able to group these misstatements together and consider their combined effect on the social aspect of the entity's sustainability information. Similarly, a number of immaterial misstatements in the reported water consumption information and another immaterial misstatement relating to waste generated may be able to be considered together as they both relate to the environmental aspect of the sustainability information.

A184. The sustainability information as a whole may be misstated, even though the misstatements are individually immaterial. Even if there are misstatements that are not able to be accumulated by sustainability matter or other common factors, they may exhibit a common direction, narrative, tone, or trend. For example, if the effect of the misstatements is to make the sustainability information as a whole look more favorable than it actually is, or all the misstatements overstate the positive aspects of the entity's actions and downplay the negative aspects, that may add up to give a biased and misleading picture to the users of the sustainability information.

A185. Materiality of uncorrected misstatements is considered in the context of qualitative and, when applicable, quantitative factors. The practitioner may also consider the extent to which users could reasonably be expected to make a different decision if the sustainability information was not misstated.

A186. Misstatements in qualitative information are as important as misstatements in quantitative information. If the misstatements in qualitative information are not corrected by management, the practitioner may accumulate them by listing them or by marking up or highlighting them in a copy of the sustainability information. When it is not possible to add the misstatements together to determine their effect in the aggregate, the practitioner may consider whether there are any commonalities among the misstatements, such as whether the misstatements reflect a more favorable outcome that is collectively material or indicate management bias.

A187. Other factors that may help the practitioner determine the materiality of misstatements include understanding

- the underlying cause of identified misstatements. For example, if a qualitative misstatement exists because management has intentionally decided to misrepresent facts, this may indicate the possibility that the sustainability information may contain a material misstatement due to fraud.

- whether a misstatement may have an indirect effect on misstatements identified in other areas of the engagement. For example, an otherwise immaterial overstatement of an item might indirectly affect a more significant calculation that incorporates the item, causing that calculation to fall below the required minimum threshold included in a contractual requirement or the qualification criteria for a scheme, grant, or funding. Similarly, the lack of a required approval for a relatively unimportant transaction might not be material individually, but it could have implications for the operating effectiveness of controls in areas of the sustainability information that users might consider important.

Evaluating the Description of Criteria (Ref: par. 73)

A188. Referencing or describing the criteria is particularly important when

- there are significant differences between criteria applied by entities in the same industry, region, or jurisdiction that the practitioner expects to have similar circumstances or be equivalent.
- the sustainability matter is subject to a high degree of measurement or evaluation uncertainty, such as forward-looking sustainability information, as there may be more variability or it may be open to greater interpretation than when there is less uncertainty. This may result in sustainability information that could be misunderstood or misinterpreted by intended users.

A189. In evaluating whether the reference to or description of the criteria is adequate, the practitioner may consider whether it addresses the following:

- The source of the criteria and whether the criteria are framework criteria embodied in law or regulation or issued by an authorized or recognized organization that follows a transparent due process, other framework criteria, or entity-developed criteria
- How framework criteria have been applied, including the entity's reporting policies for applying the framework criteria
- For other framework criteria or entity-developed criteria, how the determination was made that these, together with any framework criteria, are suitable

- When applicable framework criteria were not applied, the reasons therefor
- The specific aspects of the criteria related to particular types of sustainability information, for example,
  - — the basis for evaluating the reasonableness of the underlying assumptions for forward-looking information
  - — control objectives for design and operating effectiveness of processes, systems, or controls
  - — targets, key performance indicators, commitments, or goals for evaluating or measuring performance
- Measurement or evaluation methods used when the criteria allow for choice between a number of methods
- Any significant judgments made in applying the criteria in the engagement circumstances
- The inherent limitations, if any, associated with the measurement or evaluation of the sustainability matter against the criteria
- Other matters relevant to intended users' understanding of the basis for the preparation of the sustainability information, including uncertainties
- Any changes in the measurement or evaluation methods used, and the reasons therefor
- Any deviations from the criteria identified, for example, deviations from a framework that the entity has referred to as being the basis for preparing the sustainability information
- The need for clear meaning so that the description provides sufficient detail and clarity to be understandable and does not contain imprecise or qualifying language that may result in inconsistent interpretation

Forming the Opinion

Evaluating the Evidence Obtained (Ref: par. 76)

A190. The evaluation includes work performed by a practitioner's external specialist or by internal auditors providing direct assistance.

A191. The evaluation of evidence obtained related to the preparation of qualitative information or qualitative aspects of quantitative information may include consideration of whether

- there are indicators of possible bias in judgments and decisions in the making of estimates and in preparing the sustainability information.

- the quantification methods and reporting policies selected and applied are consistent with the criteria and are appropriate.

- the information presented in the sustainability information is relevant, reliable, complete, comparable, and understandable.

- the sustainability information provides adequate disclosure of the criteria and other matters, including uncertainties, such that intended users can understand the significant judgments made in its preparation.

- the terminology used in the sustainability information is appropriate.

Concluding (Ref: par. 77)

A192. Disclosures specified in the relevant law or regulation are adequate for reporting to the regulator. However, additional disclosures in the sustainability information may be necessary for the sustainability information not to be misleading to other intended users, such as the following:

- The method used for determining the reporting boundary, if the criteria allow a choice between different methods, and which operations are included
- Significant evaluation or quantification methods and reporting policies selected and applied, including
  - — the entity's process to identify the sustainability matters to be included in the sustainability information (see paragraph A3);
  - — any significant interpretations made in applying the criteria in the entity's circumstances, including data sources and, when choices between different methods are allowed or entity-specific methods are used, disclosure of the method used and the rationale for doing so; and
  - — how the entity determines whether previously reported disclosures should be restated
- A statement regarding the uncertainties relevant to the entity's quantification of its sustainability information, including their causes, how they have been addressed, and their effects on the sustainability information
- Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the sustainability information with a prior period or base year

Preparing the Practitioner's Report

Content of the Practitioner's Report

Identification of the Sustainability Information (Ref: par. 78c)

A193. Identification or description of the sustainability information subject to the attestation engagement and, when appropriate, the sustainability matters, may include the following:

- The title or other identifying features of the sustainability information and, if applicable, any broader report (such as an annual report or integrated report) within which the sustainability information is reported.
- If the sustainability information subject to the attestation engagement is not the entirety of the sustainability information reported, identification of the part of the sustainability information reported that is subject to the attestation engagement and, if necessary to assist users' understanding, identification of the sustainability information reported that is not subject to the attestation engagement.

- When applicable, the name of other entities (such as entities in the value chain), facilities, locations, jurisdictions, or other boundaries to which the sustainability matters relate.
- An explanation of those characteristics of the sustainability matters or the sustainability information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the sustainability matters against the criteria, or the persuasiveness of available evidence. For example,
  - — the degree to which the sustainability information is qualitative versus quantitative, narrative versus numeric, objective versus judgmental, or historical versus forward-looking.
  - — changes in the sustainability matters, criteria, or other engagement circumstances that affect the comparability of the sustainability information from one period to the next.

*Identification of Standards (Ref: par. 78*gi*)*

A194. In identifying the standards under which the engagement was performed as required by proposed AT-C section 205,[64] the practitioner may specify that the engagement was performed in accordance with the relevant sections of this proposed SSAE.

A195. When an engagement was also conducted in accordance with another set of standards, such as ISSA 5000, the reference to another set of standards follows the identification of the relevant AICPA standards, for example "Our [*examination/review*] was conducted in accordance with attestation standards established by the AICPA and in accordance with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board (IAASB)."

A196. The exhibit, "Illustrative Practitioner's Reports," includes examples of reports for examination engagements conducted in accordance with both the attestation standards established by the AICPA and ISSA 5000.

*Inherent Limitations in Preparing the Sustainability Information (Ref: par. 78*i*)*

A197. Although in some cases inherent limitations can be expected to be well understood by the intended users, in other cases it may be appropriate for the practitioner to make explicit reference to them in the practitioner's report. This may particularly be the case when inherent measurement or evaluation uncertainties may be fundamental to intended users' understanding of the sustainability information. For example, for greenhouse gas emissions, it may be appropriate to note that the entity's disclosures about Scope 3 emissions are subject to more inherent limitations than for Scope 1 and Scope 2 emissions, given the lack of availability and relative precision of information used for determining both qualitative and quantitative Scope 3 information from value chain entities outside the control of the group.

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[64] Paragraph .110 of proposed AT-C section 205.

A198. Management may choose to explain limitations on the ability to obtain information from value chain entities included in the sustainability information reported, and if not, the practitioner may discuss with management whether to do so. The practitioner may also choose to describe the effects on the practitioner's procedures in the attestation report (for example, in the "Inherent Limitations" section of the report). However, it is important that any such description in the practitioner's report does not imply that the practitioner's responsibility for obtaining sufficient appropriate evidence to support the opinion is reduced with respect to such information.

A199. For engagements on sustainability information containing forward-looking information (that is, goals or targets, forecasts, scenario analyses, or transition plans) the preparation of this information may be subject to inherent limitations. If the practitioner describes such limitations in an "Inherent Limitations" section of the practitioner's report, such description may refer to management's explanation, if any, and state the following:

- For a forecast expressed as specific disclosure or disclosures: "Actual results are likely to be different from the forecasted sustainability information because anticipated events frequently do not occur as expected and the variation could be material."

- For a forecast expressed as a range: "For forecast information expressed in a range, the actual results may fall outside of that range and the variation could be material."

- For projections, scenario analyses, or transition plans: "The forward-looking sustainability information has been prepared for [*state purpose*] using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, users are cautioned that the forward-looking sustainability information is not used for purposes other than that described."

Modifications to the Practitioner's Report (Ref: par. 80)

A200. Information or explanations included in the practitioner's report that are not intended to affect the practitioner's opinion include any

- paragraphs used to draw intended users' attention to a matter presented or disclosed in the sustainability information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of that information (often referred to as *emphasis-of-matter paragraphs*).

- paragraphs used to communicate a matter other than those that are presented or disclosed in the sustainability information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities, or the practitioner's report (referred to as *other-matter paragraphs*).

- additional information included in the practitioner's report.

A201. In addition to the basic elements described in paragraph 78, the practitioner may decide to include additional information in the practitioner's report. Matters that may be relevant to the practitioner's decision to include such additional information may include the following:

- Sustainability information may be prepared for diverse groups of users and may cover sustainability matters that are diverse in nature, ranging from a single aspect, such as greenhouse gases emitted by the entity during a period, to an entity's strategy, business model, and performance, which may comprise
  - historical information;
  - forward-looking information;
  - processes, systems, and controls; and
  - performance against targets, goals, or commitments.
- The sustainability matters may be complex to measure or evaluate or may be subject to measurement or evaluation uncertainties, which the intended users might not be aware of.
- The criteria used to measure or evaluate the sustainability matters may be set out in an established framework, may be developed by the entity, or may be selected from various frameworks, with or without further development by the entity, making it difficult for a user to understand how the sustainability information has been prepared.
- The sustainability information may be presented in the form of a traditional stand-alone report or as part of a larger report or reports. It may also be presented partially in narrative form and partially through the use of graphs, images, embedded videos, or similar representations. The presentation could support the users' understanding of what is, and what is not, subject to the attestation engagement.

A202. The practitioner may have responsibilities to report on other matters that are additional to the practitioner's responsibilities under this section of this proposed SSAE. For example, the practitioner may be required to report on the entity's compliance with specified requirements that are not criteria for preparation and presentation of the sustainability information. In that case, AT-C section 315, *Compliance Attestation,* would be applicable. In some cases, the relevant law or regulation may require or permit the practitioner to report on these other responsibilities as part of the practitioner's report on the sustainability information. In other cases, the practitioner may be required or permitted to report on them in a separate report.

A203. Other reporting responsibilities are addressed in a separate section of the practitioner's report with the heading "Report on Other Legal and Regulatory Requirements," or other heading as appropriate to the content of the section, in order to clearly differentiate them from the practitioner's responsibility under this section of this proposed SSAE.

Comparative Information (Ref: par. 81–85)

A204. Framework criteria, law or regulation, or the terms of the engagement may specify requirements regarding the presentation, reporting, and assurance of the comparative information.

A205. The practitioner's responsibilities with respect to comparative information vary based on the engagement circumstances. In some circumstances, comparative information may be covered by the practitioner's opinion or a predecessor's attestation engagement. If the comparative information is not covered by the practitioner's opinion, then it is also other information and the requirements in proposed AT-C section 205[65] and paragraphs 80–90 of this section of this proposed SSAE apply.

A206. Comparative information is covered by the practitioner's opinion when the practitioner's opinion extends to the comparative information as part of the current-year engagement. For example, this might occur when the practitioner

- performed an engagement in the prior period and there are no revisions or restatements of the comparative information in the current period (that is, the information has not changed from what was previously assured).
- performed an engagement in the prior period and is engaged, as part of the current attestation engagement, in the current period to perform procedures over revisions or restatements to the comparative information.
- is engaged in the current period to perform procedures on the comparative information (that is, it was not previously assured but is assured in the current period).

How the practitioner's opinion in the current period extends to the comparative information depends on the facts and circumstances.

A207. Comparative information that is covered by the practitioner's opinion is subject to all the requirements in this section of this proposed SSAE.

A208. Current-period information, and the related prior-period information, about sustainability matters that are not covered by the practitioner's opinion is other information and the requirements in proposed AT-C section 205[66] and paragraphs 86–90 of this section of this proposed SSAE apply. For example, the sustainability information to be reported includes prior-period information presented in relation to a topic or an aspect of a topic about environmental, social, governance, or other sustainability-related matters in the current period. This prior-period sustainability-related information is presented for purposes of comparison to current-period sustainability-related information that is not within the scope of the current-year examination engagement. In such circumstances, the prior-period information, like the current-period information to which it relates, is other information.

A209. The framework criteria or law or regulation may include explicit requirements for presentation of comparative information, such as requirements for how changes in reporting boundaries and error corrections should be evaluated and presented, or principles-based requirements, such as an overarching principle of consistency in information reported that allows for meaningful comparison of information reported over time. Depending on the specificity of the

[65] Paragraphs .128–.133 of proposed AT-C section 205.
[66] Paragraphs .128–.133 of proposed AT-C section 205.

requirements, the framework criteria or law or regulation may be supplemented with entity-developed criteria or reporting policies with respect to presentation of comparative information.

A210. Procedures that may also be performed when evaluating the presentation of the comparative information include determining whether the framework criteria or law or regulation for measurement or evaluation of the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been appropriately applied to the prior period information and disclosed.

A211. If there are inconsistencies between the comparative information and the current-period sustainability information, the practitioner may consider the reasons for those differences to evaluate whether they are in accordance with the framework criteria or law or regulation. The practitioner may also consider whether reporting policies have changed from period to period and whether they have been consistently applied (see paragraphs 44 and A95).

A212. When sustainability information includes comparisons of period-on-period information, such as references to percentage reductions or increases in measures or key performance indicators, it is important that the practitioner consider the appropriateness of the comparisons. These may be inappropriate due to

- significant changes in operations from the prior period;
- significant changes in conversion factors;
- significant changes in assumptions; or
- inconsistency of sources or methods of measurement or evaluation.

Inconsistencies or changes may be appropriately addressed by the entity in the sustainability information through presentation or disclosure or by the practitioner in a separate paragraph in the practitioner's report, or both.

A213. Information reported in a prior period may need to be revised in accordance with law or regulation or the criteria because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.

A214. If comparative information is not required to be presented by the framework criteria or law or regulation, the procedures that the practitioner may perform include evaluating whether the

- comparative information is consistent with the disclosures in the prior period, and if not, whether any inconsistencies are appropriate and disclosures have been made so that the change is not misleading; and
- criteria for measurement or evaluation of comparative information are consistent with those applied in the current period and, if not, whether any inconsistencies are appropriate and are disclosed so that the differences in criteria and reporting policies are not misleading.

A215. Following the discussion with management,

- when the comparative information is covered by the practitioner's opinion, and a

material misstatement of the comparative information has been identified, the requirements in paragraphs .73–.79 of proposed AT-C section 205 apply.
- when the comparative information is not covered by the practitioner's opinion, and a material misstatement of the comparative information has been identified, the requirements in paragraph .132 of proposed AT-C section 205 and paragraphs 87–90 of this section of this proposed SSAE apply.

A216. The practitioner may need to take additional action if the prior-period information on which an attestation engagement was performed by the practitioner in the prior period is materially misstated. See paragraphs .81–.85 of proposed AT-C section 205.

A217. The practitioner's consideration of whether to include a separate paragraph in the current period report regarding the comparative information may include whether
- the report will be publicly available.
- there are adjustments to the comparative information from a previous period, and whether appropriate disclosures are included in the sustainability information about the adjustments.
- the level of information presented for the comparative period is comparable with the level of information presented for the current period or whether the comparative information is a minor disclosure relative to the sustainability information for the current period.
- there are changes in the scope of information presented and an attestation engagement was performed in the prior period, for example, new information is presented.
- the comparative information subject to an attestation engagement in the prior period is the same comparative information presented in the current presentation (or whether certain of the comparative information is new in the current presentation or was removed from the original presentation in the prior period).
- the level of assurance changed from period to period (for example, from a review engagement to an examination engagement).
- the opinion or conclusion was modified in the prior period.

A218. If the practitioner includes a separate paragraph in the practitioner's report that refers to the practitioner's or a predecessor's prior report, the practitioner may include the following details:
- The fact that the comparative information was previously subject to an examination or a review engagement
- The type of opinion or conclusion expressed by the practitioner or predecessor practitioner
- If the opinion or conclusion was modified, the reasons for any modifications
- The date of the practitioner's or predecessor practitioner's report
- If applicable, the fact that the comparative information has been adjusted from the prior period
- If applicable, any changes in scope of the attestation engagement from the prior period or level of assurance
- Other matters that are relevant to the situation

Other Information (Ref: par. 86)

Reading the Other Information

A219. As explained in paragraph 7, the scope of the attestation engagement may extend to all the sustainability information to be reported by the entity or only part of that information. When the attestation engagement does not cover the entirety of the sustainability information, the term "sustainability information" is to be read as the information that is subject to the attestation engagement.

Documentation (Ref: par. 91)

A220. The following are examples of documentation that enable an experienced practitioner, having no previous connection with the engagement, to understand the matters described in items (*a*)–(*c*) of paragraph 91:

- The evaluation in accordance with paragraph .11*e* of proposed AT-C section 205 and paragraph 26 of this section of this proposed SSAE that the work of a practitioner's external specialist is adequate for the practitioner's purposes
- The evaluations, procedures, and significant judgments made in using internal auditors to provide direct assistance in accordance with paragraph 26
- The basis for the practitioner's determination of performance materiality in accordance with paragraph 32
- The determination in accordance with paragraph .32 of proposed AT-C section 205 and paragraph 36 of this section of this proposed SSAE that the information reported on by an other individual is adequate for the practitioner's purposes
- Key elements of the practitioner's understanding, inquiries, and discussion in accordance with paragraphs 48–54
- The evaluation of the design of identified controls and determination about whether such controls have been implemented in accordance with paragraph 55
- The determination in accordance with paragraph .29 of proposed AT-C section 205 and paragraph 76 of this section of this proposed SSAE that the work of the internal audit function is adequate for the practitioner's purposes

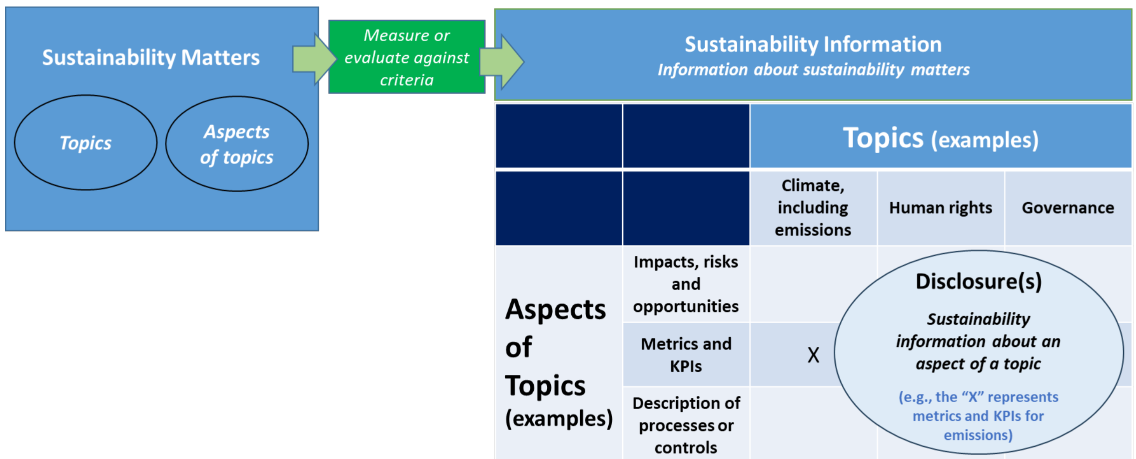
Appendix (Ref: par. 02–03 and A16)

A221.

Sustainability Matters and Sustainability Information

This appendix explains the relationship between sustainability matters (that is, the underlying subject matter); sustainability information (that is, the subject matter information), which results from measuring or evaluating the sustainability matters against the criteria; and the related disclosures.

This relationship can be illustrated as follows:



As a part of establishing whether the preconditions for an attestation engagement are present, paragraph 20 requires the practitioner to consider whether the entity has a process to identify sustainability information to be reported.

As explained in paragraph 3, sustainability information is reported in accordance with the criteria. The topics and aspects of topics of sustainability matters are considered by management in determining the sustainability information to be reported and are manifested in the related disclosures. A disclosure represents sustainability information reported by the entity about an aspect of a topic. A more comprehensive list of examples of topics and aspects of topics is provided in paragraph A18.

Disclosures can be in various forms (for example, narrative descriptions or other qualitative information, tables with key performance indicators or other quantitative information, or a combination thereof) and may be limited to a single paragraph or table or may span multiple pages in a separate sustainability report, part of the entity's annual report, or some other reporting mechanism. How the entity presents the disclosures (that is, how the entity aggregates or disaggregates the sustainability information for purposes of presentation) is determined by the criteria. Whether and how the practitioner may further aggregate and disaggregate the disclosures for purposes of planning and performing the engagement is a matter of professional judgment, as explained in paragraph A45.

Exhibit — Illustrative Practitioner's Reports

A222.

The illustrative practitioner's examination reports on sustainability information in this exhibit meet the applicable reporting requirements in paragraphs 78–86. A practitioner may use alternative language in drafting an examination report on sustainability information, provided that the language meets the applicable requirements in paragraphs 78–86.

The following illustrative reports are included:

- Illustration 1 — Assertion-Based Examination Report on Sustainability Information
- Illustration 2 — Assertion-Based Examination Report on Sustainability Information When the Examination Has Been Conducted in Accordance With Both the Attestation Standards Established by the AICPA and ISSA 5000 (Reasonable Assurance)
- Illustration 3 — Combined Assertion-Based Examination and Review Report on Sustainability Information
- Illustration 4 — Assertion-Based Examination Report on Sustainability Information; Qualified Opinion

Illustration 1 — Examination Report on Sustainability Information

Example: Practitioner's Examination Report on Sustainability Information; Unmodified Opinion

The following is an illustrative practitioner's report for an examination engagement in which the practitioner has examined and is reporting on sustainability information.
For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- An examination engagement in which the practitioner has examined the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20X1 (the Sustainability Report).
- The Sustainability Report is prepared by management of the Company in accordance with framework criteria (ABC Framework Criteria).
- The Sustainability Report includes comparative information that is not covered by the practitioner's opinion. The comparative information was subject to an examination engagement by the same practitioner in the prior period and the practitioner's opinion was unmodified. The practitioner determined not to state those facts in a separate paragraph in the practitioner's report. The practitioner determined in the current period that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that an unmodified opinion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document, and the practitioner is reporting on the entirety of the Sustainability Report. Accordingly, there is no other information.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

We have examined the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20X1 (the Sustainability Report). The Company's management is responsible for the preparation of the Sustainability Report in accordance with the ABC Framework Criteria, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the Sustainability Report based on our examination.

We conducted our examination in accordance with attestation standards established by the AICPA.[1] Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria, in all material respects.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

An examination involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the examination to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- designing and performing procedures that are responsive to the assessed risks of material misstatement, at the underlying assertion level for the disclosures.

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

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 205, *Assertion-Based Examination Engagements,* and proposed AT-C section 325, *Reporting on an Examination of Sustainability Information*.

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

In our opinion, the Sustainability Report of XYZ Company as of and for the year ended December 31, 20X1, is presented in accordance with the ABC Framework Criteria, in all material respects.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustration 2 — Examination Report on Sustainability Information When the Examination Has Been Conducted in Accordance With Both the Attestation Standards Established by the AICPA and ISSA 5000 (Reasonable Assurance)

Example: Practitioner's Examination Report on Sustainability Information; Unmodified Opinion

The following is an illustrative practitioner's report for an examination engagement in which the practitioner has examined and is reporting on sustainability information. The examination has been conducted in accordance with both the attestation standards established by the AICPA and International Standards on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- An examination engagement (reasonable assurance) in which the practitioner has examined the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the Sustainability Report).

- XYZ Company is not a listed entity, and it is not a public interest entity as defined by the jurisdiction in which it is located.

- The Sustainability Information is prepared by management of the Company in accordance with criteria developed by the entity (Entity Sustainability Reporting Criteria). The criteria are a compliance framework.

- Management of the Company is the engaging party and the responsible party. Those charged with governance are responsible for oversight of the Company's sustainability reporting process.

- The terms of the attestation engagement reflect the description of management's responsibility for the Sustainability Information.

- The practitioner has concluded that an unmodified opinion is appropriate based on the evidence obtained.

- The Sustainability Information includes comparative information that is not covered by the practitioner's opinion. The comparative information was subject to a review by the same practitioner in the prior period and the practitioner issued a report that expressed an unmodified conclusion. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.

- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive and the International

Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)*, and the practitioner's report refers to both.

- The firm of which the practitioner is a member applies the Statements on Quality Management Standards established by the AICPA, including QM section 10, *A Firm's System of Quality Management,* and International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.

- The Sustainability Information and the practitioner's report thereon have been included in the Company's Annual Report. The practitioner has obtained the Annual Report prior to the date of the practitioner's report and has not identified a material misstatement of the other information in the Annual Report.

- The practitioner's report is not restricted.

Independent Accountant's Reasonable Assurance Report

[*Appropriate addressee*]

Reasonable Assurance Opinion

We have conducted a reasonable assurance engagement on the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the Sustainability Report).

In our opinion, the Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, is prepared in accordance with the Entity Sustainability Reporting Criteria set forth in Note 1, in all material respects.

Basis for Opinion

We conducted our reasonable assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants in the United States of America,[1] and in accordance with International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board (collectively referred to as the "assurance standards").

Our responsibilities under these assurance standards are further described in the "Practitioner's Responsibilities" section of our report.

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 205, *Assertion-Based Examination Engagements,* and proposed AT-C section 325, *Reporting on an Examination of Sustainability Information*.

We are independent of the Company and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our reasonable assurance engagement, which include relevant ethical requirements in the United States of America, and in accordance with the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants related to sustainability assurance engagements.

Our firm applies International Standard on Quality Management 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires the firm to design, implement, and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

[*Additional paragraphs may be added under an appropriate heading, including where appropriate in the engagement circumstances an emphasis-of-matter paragraph or other-matter paragraph, to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

Other Matter — Comparative Information

We conducted a limited assurance engagement on the accompanying Sustainability Report as of and for the year ended December 31, 20X0. Our report thereon, dated [*date of prior-year review report*], stated that, based on our procedures, we were not aware of any material modifications that should be made to that Sustainability Report for it to be in accordance with the Entity Sustainability Reporting Criteria. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, the objective of which is the expression of an opinion regarding the Sustainability Report. Accordingly, we did not express such an opinion.

Other Information

Management of the Company is responsible for the other information. The other information comprises the [*information included in the Company's Annual Report*],[2] but does not include the Sustainability Report and our report thereon.

Our opinion on the Sustainability Report does not extend to the other information and we do not express any form of opinion thereon.

In connection with our reasonable assurance engagement on the Sustainability Report, our responsibility is to read the other information identified above, and in doing so, consider whether

[2] A more specific description of the other information such as "the financial statements and the notes thereto and chairman's statement" may be used to identify the other information.

the other information is materially inconsistent with the Sustainability Report, or our knowledge obtained in the reasonable assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as of the date of this report.

Responsibilities for the Sustainability Report

The Company's management is responsible for the preparation of the Sustainability Report in accordance with the Entity Sustainability Reporting Criteria, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for oversight of the Company's sustainability reporting process.

[*Inherent Limitations in Preparing the Sustainability Information*]

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

Practitioner's Responsibilities

The assurance standards require that we plan and perform the engagement to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria and is free from material misstatement, whether due to fraud or error, in all material respects. Our responsibility is to issue a report that includes our opinion on the Sustainability Report based on our reasonable assurance engagement.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an engagement conducted in accordance with the assurance standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

As part of a reasonable assurance engagement, we exercise professional judgment and maintain professional skepticism throughout the engagement.

A reasonable assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the reasonable assurance engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- designing and performing procedures that are responsive to the assessed risks of material misstatement at the underlying assertion level for the disclosures.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustration 3 — Combined Examination and Review Report on Sustainability Information

Example: Combined Practitioner's Examination and Review Report on Sustainability Information; Unmodified Opinion

The following is an illustrative practitioner's single report for an engagement in which the practitioner has examined certain sustainability information and reviewed other sustainability information and is reporting on the sustainability information in a single report as permitted by proposed AT-C sections 205, *Assertion-Based Examination Engagements*, and 210, *Review Engagements*.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- An examination engagement relating to specified disclosures (Examined Disclosures) and a review engagement relating to other specified disclosures (Reviewed Disclosures) of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the Sustainability Report).
- The Sustainability Report represents the sustainability information reported by the Company and specified disclosures, as agreed in the terms of the engagement and described in the practitioner's report, represent the sustainability information subject to the attestation engagements.
- The specified disclosures are prepared by the management of the Company in accordance with framework criteria (ABC Framework Criteria).
- Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that an unmodified opinion and an unmodified conclusion are appropriate with respect to the specified disclosures subject to examination and the specified disclosures subject to review, respectively, based on the evidence obtained.
- The Sustainability Information includes comparative information that is not covered by the practitioner's opinion and was not subject to an attestation engagement in the prior period. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document. The practitioner has read the entirety of the Sustainability Report and has not identified a material misstatement or a material inconsistency of the other information (that is, any disclosures not specified as subject to the practitioner's examination or review) in the Sustainability Report.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

Examination and Review of Certain Sustainability Information

We have examined the following specified disclosures included in the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX:

- [*Disclosure 1*]
- [*Disclosure 2*] (collectively, the "Examined Disclosures")

We have reviewed the following specified disclosures included in the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX:

- [*Disclosure 3*]
- [*Disclosure 4*]
- [*Disclosure 5*] (collectively, the "Reviewed Disclosures")

The Company's management is responsible for the preparation of the previously specified disclosures in accordance with the ABC Framework Criteria set forth in Note 1, including the design, implementation, and maintenance of internal control relevant to the preparation of the previously specified disclosures that are free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the Examined Disclosures based on our examination and a conclusion on the Reviewed Disclosures based on our review.

We conducted our engagement in accordance with attestation standards established by the AICPA.[1] Those standards require that

- we plan and perform the examination to obtain reasonable assurance about whether the Examined Disclosures are in accordance with the criteria, in all material respects. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.
- we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Reviewed Disclosures in order for them to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 205, *Assertion-Based Examination Engagements,* proposed AT-C section 210, *Review Engagements,* proposed AT-C section 325, *Reporting on an Examination of Sustainability Information,* and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*.

which is to obtain reasonable assurance about whether the Reviewed Disclosures are in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Examined Disclosures or the Reviewed Disclosures.

An examination involves performing procedures to obtain evidence about the Examined Disclosures. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the examination to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- designing and performing procedures that are responsive to the assessed risks of material misstatement, at the underlying assertion level for the disclosures.

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

A review involves performing procedures to obtain evidence about the Reviewed Disclosures. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the review, to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. Accordingly, no such conclusion is expressed.

- designing and performing procedures that are responsive to the assessed risks of material misstatement, at the disclosure level.

[*Include a summary of nature and extent of procedures performed that, in the practitioner's judgment, provide additional information that may be relevant to the user's understanding of the work performed to support the practitioner's conclusion.*]

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

The comparative information as of December 31, 20X0, included in the Sustainability Report was not subject to an attestation engagement in the prior period.

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

In our opinion, the Examined Disclosures included in the accompanying Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, are presented in accordance with the ABC Framework Criteria, in all material respects.

Based on our review, we are not aware of any material modifications that should be made to the Reviewed Disclosures included in the accompanying Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, in order for them to be in accordance with ABC Framework Criteria.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustration 4 — Examination Report on Sustainability Information

Example: Practitioner's Examination Report on Sustainability Information; Qualified Opinion

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

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- An examination engagement (reasonable assurance) in which the practitioner has examined the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20X1 (the Sustainability Report).
- The Sustainability Information is prepared by management of the Company in accordance with criteria developed by the entity (Entity Sustainability Reporting Criteria).
- The Sustainability Report includes comparative information that is not covered by the practitioner's opinion. The comparative information was subject to an examination engagement by a predecessor practitioner in the prior period. The predecessor practitioner's opinion was unmodified. The practitioner determined not to state those facts in the practitioner's report. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that a qualified opinion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document, and the practitioner is reporting on the entirety of the Sustainability Report. Accordingly, there is no other information.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

We have examined the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20X1 (the Sustainability Report). The Company's management is responsible for the preparation of the Sustainability Report in accordance with the Entity Sustainability Reporting Criteria set forth in Note 1, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the Sustainability Report based on our examination.

We conducted our examination in accordance with attestation standards established by the AICPA.[1] Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria, in all material respects.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

An examination involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the examination to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- designing and performing procedures that are responsive to the assessed risks of material misstatement at the underlying assertion level for the disclosures.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 205, *Assertion-Based Examination Engagements,* and proposed AT-C section 325, *Reporting on an Examination of Sustainability Information*.

Our examination disclosed that [*describe conditions that, individually or in the aggregate, resulted in a material misstatement or deviation from the criteria; for example, greenhouse gas emissions information for Subsidiary X was excluded from the schedule of greenhouse gas emissions; such subsidiary represents X% of the consolidated (identify assets, revenues, or other key element)*].

In our opinion, except for the material misstatement [*or deviation from the criteria*] described in the preceding paragraph, the Sustainability Report of XYZ Company as of and for the year ended December 31, 20X1, is presented in accordance with the Entity Sustainability Reporting Criteria, in all material respects.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

PROPOSED AT-C SECTION 330

Reporting on a Review of Sustainability Information

TABLE OF CONTENTS

Proposed AT-C Section 330
Reporting on a Review of Sustainability Information

Introduction

01. This section of this proposed Statement on Standards for Attestation Engagements (SSAE) contains performance and reporting requirements and application material for a practitioner performing a review engagement on sustainability information.

02. For purposes of this section of this proposed SSAE, *sustainability information* is information about sustainability matters. An entity's disclosures about such matters may relate to several different topics (for example, climate, labor practices, biodiversity) and aspects of topics (for example, risks and opportunities, metrics, and key performance indicators). Law or regulation or sustainability reporting frameworks may describe sustainability matters, topics, or aspects of topics in different ways, and may also provide requirements or guidance for the entity in determining the sustainability information to be reported. (Ref: par. A1–A2, A7, A19, and appendix)

03. Sustainability information is reported in accordance with the criteria. As noted in proposed AT-C section 105, *Concepts Common to All Attestation Engagements,*[1] a review engagement is predicated on the concept that a party other than the practitioner makes an assertion about whether the underlying subject matter is measured or evaluated in accordance with suitable criteria. In the absence of indications to the contrary, criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process are presumed to be suitable. In this section of this proposed SSAE, such criteria are referred to as *framework criteria*. (Ref: par. A3–A4 and appendix)

04. The criteria may specify a process by which the entity identifies sustainability matters to be reported, including the application of materiality in identifying such matters and the reporting boundary. In this section of this proposed SSAE, "the entity's process to identify sustainability information to be reported" refers to the process applied by the entity to determine the sustainability matters to be reported in the sustainability information and the reporting boundary. (Ref: par. A5–A6)

05. Depending on the criteria, the sustainability information may be for a single entity or may include sustainability information for entities that are part of a group or for other entities in the reporting entity's value chain.

06. The sustainability information presented by an entity may be limited to selected metrics, targets, or key performance indicators. Alternatively, the sustainability information may cover many different aspects of topics as required by the framework criteria or by law or regulation or that the entity chooses to present voluntarily. (Ref: par. A19 and appendix)

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[1] Paragraph .04 of proposed AT-C section 105, *Concepts Common to All Attestation Engagements.* All AT-C sections can be found in AICPA *Professional Standards.*

07. The scope of the review engagement may extend to all the sustainability information reported by the entity or only part of that information. For example, some jurisdictions may require that the entirety of the sustainability information reported by the entity be included in the scope of the practitioner's sustainability attestation engagement. However, in some jurisdictions, law or regulation may require that, for example, only climate-related disclosures in an entity's sustainability information be included in the scope of the practitioner's sustainability attestation engagement. (Ref: par. A7–A8)

08. When the sustainability disclosures relate to a number of topics and aspects of topics, the practitioner may be engaged to provide a separate conclusion on each topic or on each aspect of a topic (or a separate opinion, in an engagement that also includes an examination of specified topics or aspects of topics). References in this section of this proposed SSAE to the opinion or conclusion in the practitioner's report include each opinion or conclusion when separate opinion or conclusions are provided.

Scope of This Proposed Section

09. This section of this proposed SSAE applies to review engagements to report on sustainability information resulting from the application of criteria to measure or evaluate sustainability matters. (Ref: par. A9)

Relationship With the Audited Financial Statements

10. This section of this proposed SSAE does not address sustainability information that is required to be included in the entity's financial statements in accordance with the applicable financial reporting framework. The auditor of the entity's financial statements is required to apply the applicable auditing standards to such information.

11. Sustainability information may be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (for example, a separately identified report within the annual report or as part of the management report), in an integrated report, or through some other reporting mechanism. When the sustainability information is presented together with the entity's audited financial statements, the audited financial statements are considered to be other information for purposes of this section of this proposed SSAE.

The Practitioner's Responsibility to Comply With Requirements in This Proposed Section and Other AT-C Sections

12. In addition to complying with this section of this proposed SSAE, a practitioner is required to comply with proposed AT-C section 105 and proposed AT-C section 210, *Review Engagements*. In some cases, this section of this proposed SSAE repeats or refers to requirements in proposed AT-C sections 105 and 210 when describing those requirements in the context of a review of sustainability information:

- The phrase "in applying AT-C section [*number*]" is used to indicate that, as part of performing the specified requirement in that other AT-C section, the practitioner is also required to do something more.

- The phrase “in accordance with AT-C section [*number*]” is used to reference the requirement in that other AT-C section, either in its entirety or in part, for purposes of providing a link to application material relevant to sustainability attestation engagements. In circumstances in which this section of this proposed SSAE repeats a requirement for purposes of providing a link to application material, the requirement repeated in this section of this proposed SSAE may be expressed in terms specific to a sustainability attestation engagement.

Although not all the requirements in proposed AT-C sections 105 and 210 are repeated or referred to in this section of this proposed SSAE, the practitioner is responsible for complying with all the requirements in those sections, as applicable.

Effective Date

13. If issued as final, this section of this proposed SSAE is effective for review engagements on sustainability information beginning on or after June 15, 2029. Early implementation is permitted only if the practitioner also implements AT-C sections 105 and 210, included in this proposed SSAE, early.

Objectives

14. In conducting a review of sustainability information, the objectives of the practitioner are to

a. obtain limited assurance about whether any material modifications should be made to the sustainability information in order for it to be in accordance with the criteria.

b. express a conclusion in a written report about whether, based on the procedures performed and the evidence obtained, the practitioner is aware of any material modifications that should be made to

i. the sustainability information in order for it to be in accordance with the criteria, or

ii. management’s assertion in order for it to be fairly stated.

c. communicate further as required by this section of this proposed SSAE and any other relevant AT-C sections.

Definitions

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

Comparative information. Information for one or more prior periods presented for comparison with current-period sustainability information. Comparative information may be presented as of multiple dates or cover multiple periods.

Component. An entity, business unit, function, or business activity, or some combination thereof, within the reporting boundary, determined by the practitioner for purposes of planning and performing the sustainability attestation engagement. (Ref: par. A10–A11)

Group. A reporting entity for which group sustainability information is prepared. (Ref: par. A12)

Group sustainability attestation engagement. An attestation engagement on group sustainability information.

Group sustainability information. Sustainability information that includes the sustainability information of more than one entity or business unit in accordance with the criteria. (Ref: par. A13)

Population. The entire set of data from which a sample is selected and about which the practitioner wishes to draw conclusions.

Reporting boundary. Activities, operations, relationships, or resources to be included in the entity's sustainability information. For purposes of this section of this proposed SSAE, the reporting boundary is determined in accordance with the criteria. (Ref: par. A14–A15)

Risk of material misstatement. The risk that the sustainability information is materially misstated prior to the engagement.

Sampling. The selection and evaluation of less than 100 percent of the population of relevance such that the practitioner expects the items selected (the sample) to be representative of the population and, thus, likely to provide a reasonable basis for conclusions about the population. In this context, *representative* means that evaluation of the sample will result in conclusions that, subject to the limitations of sampling risk, are similar to those that would be drawn if the same procedures were applied to the entire population.

Sampling risk. The risk that the practitioner's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same procedure.

Service organization. An organization, or segment of an organization, that provides services to user entities. (Ref: par. A16)

Substantive procedure. A procedure designed to detect material misstatements. Substantive procedures include tests of details and analytical procedures.

Sustainability disclosures. Sustainability information about an aspect of a topic. (Ref: par. A17–A18)

Sustainability information. Information about sustainability matters. An assertion about whether the sustainability matters are in accordance with the criteria is a form of sustainability information.

For purposes of this section of this proposed SSAE,

a. sustainability information results from measuring or evaluating sustainability matters against the criteria.

b. sustainability information that is the subject of the attestation engagement is the equivalent of "subject matter information," as defined in proposed AT-C section 105.[2]

c. references to "sustainability information to be reported" are intended to relate to the entirety of the sustainability information to be reported by the entity and are used primarily in the context of the practitioner's preliminary knowledge of the engagement circumstances. (Ref: par. A7)

d. if the attestation engagement does not cover the entirety of the sustainability information reported by the entity, the term "sustainability information" is to be read as the information that will be covered by the practitioner's conclusion. (Ref: par. A19)

Sustainability matters. Environmental, social, and governance (ESG) or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting sustainability information. For purposes of this section of this proposed SSAE, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of "underlying subject matter," as defined in proposed AT-C section 105.[3] (Ref: par. A20–A24)

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

Requirements

Requirements in This Proposed Section That Adapt the Related Requirements in Proposed AT-C Section 210

16. The practitioner should apply the requirements in the paragraphs identified in items (*a*)–(*e*), which adapt the related requirements in proposed AT-C section 210 to achieve the objective of those requirements in the circumstances of a review engagement on sustainability information, when the practitioner performs procedures that address the following in a sustainability information review engagement:

a. Using the work of a practitioner's specialist (Paragraphs 27–29 adapt the related requirement in proposed AT-C section 210.[4])
b. Using internal auditors to provide direct assistance (Paragraphs 30–34 adapt the related requirement in proposed AT-C section 210.[5])

[2] Paragraph .12 of proposed AT-C section 105.
[3] Paragraph .12 of proposed AT-C section 105.
[4] Paragraph .14*a* of proposed AT-C section 210*, Review Engagements.*
[5] Paragraph .14*b* of proposed AT-C section 210.

c. Using the work of the internal audit function (Paragraphs 45–48 adapt the related requirement in proposed AT-C section 210.[6])
d. Tests of controls (Paragraphs 75–81 adapt the related requirement in proposed AT-C section 210.[7])
e. Sampling (Paragraph 84 adapts the related requirement in proposed AT-C section 210.[8])

Management and Those Charged With Governance

17. When this section of this proposed SSAE requires the practitioner to inquire of, request communications from, communicate with, or otherwise interact with management of the entity for which the practitioner is performing an attestation engagement on sustainability information, the practitioner should determine the appropriate person or persons with whom to interact. This should include consideration of which person or persons have the appropriate responsibilities for, and knowledge of, the matters concerned and may include some or all of those charged with governance. (Ref: par. A25–A26)

Preconditions for a Review Engagement

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances

18. In applying proposed AT-C section 105,[9] the practitioner should obtain a preliminary knowledge of

a. the sustainability information to be reported, including whether comparative information will be presented; and
b. whether the scope of the review engagement encompasses all or part of the sustainability information to be reported by the entity. (Ref: par. A27–A28)

19. The practitioner should consider, on the basis of a preliminary knowledge of the engagement circumstances and discussion with management, whether the entity has a process to identify sustainability information to be reported. (Ref: par. A5, A29)

Appropriate Sustainability Matters

20. In applying proposed AT-C section 105,[10] the practitioner should determine whether the scope of the review engagement is appropriate, particularly when the scope of the review engagement excludes part of the sustainability information to be reported by the entity. (Ref: par. A30–A34)

Suitability and Availability of Criteria

[6] Paragraph .14*c* of proposed AT-C section 210.
[7] Paragraph .14*d* of proposed AT-C section 210.
[8] Paragraph .14*e* of proposed AT-C section 210.
[9] Paragraph .29 of proposed AT-C section 105.
[10] Paragraph .31 of proposed AT-C section 105.

21. In applying proposed AT-C section 105,[11] when determining that the criteria to be applied in the measurement or evaluation of the sustainability matters are suitable, the practitioner should evaluate whether there are criteria for all the sustainability information subject to the attestation engagement, including identifying whether they are framework criteria, entity-developed criteria, or a combination of both. (Ref: par. A35)

Evidence to Support the Practitioner's Conclusion

22. In accordance with proposed AT-C section 105,[12] the practitioner should determine whether the practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion. (Ref: par. A36)

Terms of the Review Engagement

Agreeing the Terms of the Review Engagement

23. In applying proposed AT-C section 210,[13] the practitioner should include in the agreed-upon terms of the engagement the following matters:

- *a.* The sustainability information within the scope of the review engagement
- *b.* The reporting boundary within the scope of the review engagement (Ref: par. A37)
- *c.* If the engagement is a combined examination and review engagement, the sustainability information that is subject to each level of assurance

24. In applying proposed AT-C section 210,[14] the practitioner should include in the agreed-upon terms of the engagement the responsibilities of management or those charged with governance, as appropriate, for

- *a.* referring to or describing in the sustainability information the criteria used and, when not readily apparent from the engagement circumstances, who developed the criteria.
- *b.* the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.
- *c.* providing the practitioner with
    - i. access to all information of which management is aware that is relevant to the engagement;
    - ii. access to additional information that the practitioner may request for the purpose of the review engagement; and
    - iii. unrestricted access to persons within the entity from whom the practitioner determines it necessary to obtain evidence.

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[11] Paragraph .33 of proposed AT-C section 105.
[12] Paragraph .34*a* of proposed AT-C section 105.
[13] Paragraph .10*a* of proposed AT-C section 210.
[14] Paragraph .10*d* of proposed AT-C section 210.

Engagement-Level Quality Management

Engagement Resources

25. In accordance with proposed AT-C section 105,[15] the engagement partner should determine that members of the engagement team, and any practitioner's external specialists and internal auditors who provide direct assistance who are not part of the engagement team, collectively, have the appropriate competence, including knowledge of sustainability matters and criteria, and capabilities, including sufficient time, to perform the engagement. (Ref: par. A38)

26. In accordance with proposed AT-C section 105,[16] if the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the review engagement, the engagement partner should take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: par. A39–A40)

Using the Work of a Practitioner's Specialist

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

a. Determine that the practitioner's internal specialist has the appropriate competence and capabilities for the practitioner's purposes. (Ref: par. A41–A43)

b. Evaluate whether the practitioner's external specialist has the appropriate competence, capabilities, and objectivity for the practitioner's purposes. The evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner's external specialist. (Ref: par. A42–A45)

c. Obtain a sufficient understanding of the field of expertise of a practitioner's specialist to enable the practitioner to (Ref: par. A46)

  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.

d. Agree, in writing when appropriate, with the practitioner's specialist regarding (Ref: par. A47)

  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

[15] Paragraph .42*b* of proposed AT-C section 105.
[16] Paragraph .43 of proposed AT-C section 105.

specialist; and

iv. the need for the practitioner's specialist to observe confidentiality requirements.

e. Evaluate whether the work of the practitioner's specialist is adequate 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, evaluating the relevance, completeness, and accuracy of that source data.

28. 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.

29. 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:[17]

a. The significance of that specialist's work in the context of the engagement (Ref: par. A48–A49)

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

[17] See paragraph .42*b* of proposed AT-C section 105.

e. Whether that specialist is subject to the practitioner's firm's quality management policies and procedures (Ref: par. A50)

Using Internal Auditors to Provide Direct Assistance

30. When the practitioner expects to use internal auditors to provide direct assistance, the practitioner should evaluate

a. whether the individual internal auditors providing direct assistance have the appropriate level of competence.

b. the existence and significance of threats to the objectivity of internal auditors who will be providing direct assistance as well as any safeguards applied to reduce or eliminate the threats.

31. Prior to using internal auditors to provide direct assistance, the practitioner should obtain written acknowledgment from management that internal auditors providing direct assistance to the practitioner will be allowed to follow the practitioner's instructions and that management will not intervene in the work the internal auditors perform for the practitioner.

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

33. In determining the nature and extent of work that may be assigned to internal auditors providing direct assistance and the nature, timing, and extent of direction, supervision, and review that is appropriate in the circumstances, the practitioner should consider the following:

a. The practitioner's evaluation of the level of competence of the internal auditors who will be providing such assistance, the existence and significance of threats to the internal auditors' objectivity, and the effectiveness of the safeguards applied to reduce or eliminate the threats

b. The assessed risk of material misstatement

c. The amount of judgment involved in
- i. planning and performing relevant procedures; and
- ii. evaluating the evidence obtained

34. The practitioner should evaluate whether, in the aggregate, using internal auditors to provide direct assistance to the extent planned, together with any planned use of the work of the internal audit function in obtaining evidence, would result in the practitioner still being sufficiently involved in the review engagement given the practitioner's sole responsibility for the conclusion expressed. (See paragraph 48.) (Ref: par. A51)

Planning

Planning Activities

35. In accordance with proposed AT-C section 210,[18] the practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and determines the nature, timing, and extent of the procedures that are necessary to achieve the objectives of the engagement. (Ref: par. A52–A57)

36. For a group sustainability review engagement, in applying proposed AT-C section 210,[19] the practitioner should determine the following:

a. The sustainability information on which procedures will be performed and the source of that information (Ref: par. A58)
b. The resources needed to perform the engagement, including participating practitioners
c. Whether to obtain evidence from the sustainability information reported on by an other individual, including an other practitioner (Ref: par. A59)
d. Whether to refer to the report of a referred-to practitioner

37. The engagement partner and other key members of the engagement team should be involved in planning the engagement, including participating in the discussion among the engagement team members in accordance with paragraph 54.

Materiality

38. In applying proposed AT-C section 210,[20] the practitioner should (Ref: par. A60)

a. consider materiality for qualitative disclosures; and (Ref: par. A61)
b. determine materiality for quantitative disclosures. (Ref: par. A62–A64)

39. If the criteria require the entity to apply both financial materiality and impact materiality in preparing the sustainability information, the practitioner should take into account both perspectives when considering or determining materiality in accordance with paragraph 38. (Ref: par. A65 and A107)

40. The practitioner should determine performance materiality for quantitative disclosures. (Ref: par. A66–A68)

41. In applying proposed AT-C section 210,[21] the practitioner should revise materiality if the practitioner becomes aware of information during the review engagement that, if known previously, would have caused the practitioner to have considered or determined materiality differently. (Ref: par. A69)

Evidence

Evaluating Information to Be Used as Evidence

[18] Paragraph .13 of proposed AT-C section 210.
[19] Paragraph .13 of proposed AT-C section 210.
[20] Paragraph .15 of proposed AT-C section 210.
[21] Paragraph .16 of proposed AT-C section 210.

42. In accordance with proposed AT-C section 210,[22] the practitioner should evaluate information to be used as evidence by taking into account the relevance and reliability of information, including its source. (Ref: par. A70–A82)

43. In applying proposed AT-C section 210,[23] the practitioner's evaluation of information to be used as evidence should include

a. evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes; and
b. obtaining evidence about the accuracy and completeness of the information, as necessary.

Sources of Information to Be Used as Evidence

Using the Work of a Management's Specialist

44. In applying proposed AT-C section 210,[24] the practitioner should obtain an understanding about how the information prepared by a management's specialist has been used by management in the preparation of the sustainability information.

Using the Work of the Internal Audit Function

45. When the practitioner expects to use the work of the internal audit function in obtaining evidence, the practitioner should evaluate the (Ref: A83–A85)

a. level of competence of the internal audit function.
b. extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors.
c. application by the internal audit function of a systematic and disciplined approach, including quality management.

46. 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 in obtaining evidence, to determine whether the work is adequate for the practitioner's purposes.

47. Because the practitioner has sole responsibility for the conclusion expressed in the practitioner's review report, the practitioner should make all significant judgments in the review 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 in the following circumstances:

a. The more judgment is involved in
   i. planning and performing relevant procedures or

[22] Paragraph .17 of proposed AT-C section 210.
[23] Paragraph .17 of proposed AT-C section 210.
[24] Paragraph .18 of proposed AT-C section 210.

   ii. evaluating the evidence obtained

b. The higher the assessed risk of material misstatement

c. The less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors

d. The lower the level of competence of the internal audit function

48. The practitioner should evaluate whether, in the aggregate, using the work of the internal audit function in obtaining evidence to the extent planned, together with any planned use of internal auditors to provide direct assistance, would result in the practitioner still being sufficiently involved in the review engagement given the practitioner's sole responsibility for the conclusion expressed (see paragraph 34). (Ref: par. A51)

Using Information Reported on by an Other Individual

49. When the practitioner expects to use information reported on by an other individual, including an other practitioner who is not a participating practitioner or a referred-to practitioner, as evidence, the practitioner should determine whether the information is adequate for the practitioner's purposes by (Ref: par. A86–A92)

a. obtaining and reading the information and the report of the other individual;

b. evaluating whether the nature, scope, and objectives of the other individual's work are adequate for the practitioner's purposes; and

c. evaluating the information reported on by the other individual to be used as evidence.

Inconsistencies in, or Doubts About the Reliability of, Evidence

50. In applying proposed AT-C section 105,[25] if conditions identified during the review engagement cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner should determine the effect on the rest of the evidence obtained.

51. In applying proposed AT-C section 210,[26] the practitioner should consider whether the effect of inconsistencies in, or doubts about the reliability of, evidence that cannot be resolved indicates a risk that sustainability disclosures may be materially misstated due to fraud.

Risk Assessment Procedures

Understanding the Sustainability Matters, the Sustainability Information, and Other Engagement Circumstances

52. In applying proposed AT-C section 210,[27] the practitioner should obtain an understanding of the sustainability matters and the sustainability information, including the characteristics of events or conditions that could give rise to material misstatement of the sustainability disclosures.

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[25] Paragraph .65 of proposed AT-C section 105.
[26] Paragraph .19 of proposed AT-C section 210.
[27] Paragraph .20 of proposed AT-C section 210.

Designing and Performing Risk Assessment Procedures

53. In applying proposed AT-C section 210,[28] the practitioner should design and perform risk assessment procedures sufficient to (Ref: par. A93–A96)

- *a.* enable the practitioner to identify and assess risks of material misstatement, whether due to fraud or error, at the sustainability disclosure level.
- *b.* provide a basis for designing and performing further procedures to respond to the assessed risks and to obtain limited assurance to support the practitioner's conclusion.

Engagement Team Discussion

54. The engagement partner and other key members of the engagement team, and any key practitioner's external specialists, should discuss the susceptibility of the sustainability disclosures to material misstatement, whether due to fraud or error, and the application of the criteria to the entity's facts and circumstances.

55. The engagement partner should determine which matters are to be communicated to members of the engagement team and to any practitioner's external specialists not involved in the discussion.

Determining the Suitability of the Criteria

56. The practitioner should determine whether the criteria are suitable. (Ref: par. A97–A111)

Understanding the Entity's Reporting Policies

57. In applying proposed AT-C section 210,[29] the practitioner should

- *a.* obtain an understanding of the reason for any changes to the entity's reporting policies; and
- *b.* evaluate whether the entity's reporting policies are appropriate and consistent with criteria used in the relevant industry. (Ref: par. A112)

Understanding the Entity and Its Environment

58. In applying proposed AT-C section 210,[30] the practitioner should obtain an understanding of the entity and its environment, including the following:

- *a.* The nature of operations, the entity's legal and organizational structure, ownership and governance, and business model (Ref: par. A113–A114)
- *b.* The reporting boundary and activities within the reporting boundary (Ref: par. A115)

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[28] Paragraph .20 of proposed AT-C section 210.
[29] Paragraph .28*b* of proposed AT-C section 210.
[30] Paragraph .20 of proposed AT-C section 210.

c. Goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance or determine management compensation (Ref: par. A116)

Understanding the Legal and Regulatory Framework

59. The practitioner should obtain an understanding of (Ref: par. A117–A119)

a. the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, as it relates to the entity's sustainability information; and
b. how the entity is complying with that framework.

Fraud or Noncompliance With Laws or Regulations Affecting Sustainability Matters and Sustainability Information

60. In accordance with proposed AT-C section 210,[31] the practitioner should make inquiries of individuals within the appropriate party about whether those individuals have knowledge of any fraud or suspected fraud, including allegations of fraud, or instances of noncompliance or suspected noncompliance with laws or regulations affecting the subject matter. (Ref: par. .A120)

Understanding the Components of the Entity's System of Internal Control

61. The practitioner should obtain an understanding, through inquiry, of the components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information in accordance with paragraphs 62–65 and 67–68. (Ref: par. A121–A122)

The Control Environment

62. The practitioner should obtain an understanding of the entity's control environment relevant to the sustainability matters and the preparation of the sustainability information. (Ref: par. A123–A125)

The Entity's Risk Assessment Process

63. The practitioner should obtain an understanding of the results of the entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information. (Ref: par. A126–A128)

The Entity's Process for Monitoring the System of Internal Control

64. The practitioner should obtain an understanding of the results of the entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information. (Ref: par. A129–A130)

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[31] Paragraph .21 of proposed AT-C section 210.

The Information System and Communication

65. The practitioner should obtain an understanding of the entity's information system and communication relevant to the sustainability matters and the preparation of the sustainability information, including (Ref: par. A131–A135)

- *a.* the entity's process to identify sustainability information to be reported. (Ref: par. A136–A138)
- *b.* how information from external sources, such as service organizations or other organizations in the entity's value chain, is recorded, processed, corrected as necessary, and incorporated into the sustainability information. (Ref: par. A139)
- *c.* for estimates and forward-looking information, how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the criteria.

66. Based on the practitioner's understanding of the information system and communication in accordance with paragraph 65, the practitioner should evaluate whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the criteria. (Ref: par. A140)

Control Activities

67. If the practitioner intends to obtain evidence about the operating effectiveness of controls by using the report of an other individual, including an other practitioner (referred to in this section of this proposed SSAE as a *one-to-many report*), the practitioner should determine whether any complementary user entity controls identified in such report (whether a report that has been designed for use by user entities and practitioners engaged to report on the information of those user entities or another assurance report) are relevant to the user entity. (Ref: par. A89, A91, and A141)

Design and Implementation of Controls

68. If the practitioner plans to obtain evidence by testing the operating effectiveness of controls, the practitioner should obtain an understanding of the following: (Ref: par. A142–A147)

- *a.* The controls the practitioner plans to test, including, if applicable, any complementary user entity controls identified in accordance with paragraph 67 that are relevant to the control activities that the practitioner plans to test
- *b.* The entity's general IT controls that address risks arising from the use of IT related to the controls identified in item (*a*) by (Ref: par. A148–A152)

    - i. evaluating whether the control is designed effectively to address the risk of material misstatement for the disclosure, or effectively designed to support the operation of other controls; and
    - ii. determining whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel

Identifying Control Deficiencies

69. Based on the practitioner's understanding of the components of the entity's system of internal control, the practitioner should consider whether one or more control deficiencies have been identified. (Ref: par. A153–A156)

Identifying and Assessing the Risks of Material Misstatement

70. The practitioner should identify and assess the risks of material misstatement at the sustainability disclosure level as a basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. A157–A170)

- *a.* are responsive to the assessed risks of material misstatement; and
- *b.* allow the practitioner to obtain limited assurance to support the practitioner's conclusion.

Evaluating the Evidence Obtained From the Risk Assessment Procedures

71. The practitioner should determine whether the evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner should perform additional risk assessment procedures until evidence has been obtained to provide such a basis. (Ref: par. A171)

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures

72. In applying proposed AT-C section 210,[32] 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, whether due to fraud or error, at the sustainability disclosure level. (Ref: A172–A173)

73. In designing and performing further procedures in accordance with paragraph 72, the practitioner should (Ref: par. A174–A175)

- *a.* consider the reasons for the assessment given to the risks of material misstatement;
- *b.* consider whether the practitioner intends to obtain evidence about the operating effectiveness of controls in determining the nature, timing, and extent of other procedures; and
- *c.* obtain more persuasive evidence the higher the practitioner's assessment of risk.

Overall Responses

74. The practitioner should design and implement overall responses to address the assessed risks of material misstatement if the practitioner identifies (Ref: par. A176)

[32] Paragraph .26 of proposed AT-C section 210.

a. control deficiencies in the control environment that undermine the other components of the system of internal control; or
b. pervasive risks of material misstatement throughout the sustainability information.

Tests of Controls

75. If the practitioner intends to obtain evidence about the operating effectiveness of controls in accordance with paragraph 68, the practitioner should

a. perform other procedures in combination with inquiry to obtain evidence about the operating effectiveness of controls, including

   i. how the controls were applied at relevant times during the period to which the subject matter information relates;
   ii. the consistency with which they were applied; and
   iii. by whom or by what means they were applied, including, when applicable, whether the person performing the control possesses the necessary authority and competence to perform the control effectively.

b. to the extent not already addressed, determine whether the controls to be tested depend upon other controls (indirect controls) and, if so, whether it is necessary to obtain evidence supporting the operating effectiveness of those indirect controls.

76. The practitioner should test controls for the appropriate period for which the practitioner intends to rely on those controls in order to provide an appropriate basis for the practitioner's intended reliance.

77. If the practitioner obtains evidence about the operating effectiveness of controls during an interim period, the practitioner should

a. obtain evidence about significant changes to those controls subsequent to the interim period and
b. determine the additional evidence to be obtained for the remaining period.

78. The practitioner is permitted to use evidence from a previous attestation engagement about the operating effectiveness of specific controls. If the practitioner plans to use evidence from a previous sustainability attestation engagement about the operating effectiveness of specific controls, the practitioner should perform procedures to establish the continuing relevance of that information to the current engagement. The practitioner should obtain this evidence by performing inquiry, combined with observation or inspection, to confirm the understanding of those specific controls, and

a. if there have been changes that affect the continuing relevance of the evidence from the previous review (or examination), the practitioner should test the controls in the current review.

b. if there have not been changes that affect the continuing relevance of the evidence from the previous engagement, the practitioner should test the controls at least once in every third engagement and should test some controls in each review. (Ref: par. A177)

79. If the practitioner plans to obtain evidence about the operating effectiveness of controls over those areas for which the assessment of risk is close to the upper end of the spectrum of risk, the practitioner should test those controls in the current period.

80. When evaluating the operating effectiveness of controls upon which the practitioner intends to rely, the practitioner should evaluate whether misstatements that have been detected through performing other procedures indicate that controls are not operating effectively. The absence of misstatements detected by other procedures, however, does not provide evidence that controls being tested are effective.

81. 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.

Substantive Procedures

82. If substantive procedures are performed at an interim date, and the practitioner intends to extend the conclusions of those substantive procedures for the remaining period, the practitioner should cover the remaining period by performing (Ref: par. A178–A179)

a. substantive procedures, combined with tests of controls for the intervening period; or

b. if the practitioner determines that it is sufficient, further substantive procedures only that provide a reasonable basis for extending the conclusions from the interim date to the period-end.

Analytical Procedures

83. In applying proposed AT-C section 210,[33] the practitioner should consider the assessment of the risks of material misstatement at the sustainability disclosure level when determining the suitability of particular analytical procedures. (Ref: par. A180)

Sampling

84. When designing a sample, the practitioner should consider the purpose of the procedure and

[33] Paragraph .30 of proposed AT-C section 210.

the characteristics of the population from which the sample will be drawn. When performing sampling procedures, the practitioner should do the following: (Ref: A181–A183)

a. Determine a sample size sufficient to reduce sampling risk to an acceptably low level.

b. Select 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. Treat 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. Investigate the nature and cause of deviations or misstatements identified and evaluate their possible effect on the purpose of the procedure and on other areas of the engagement.

e. Evaluate the results of the sample, including sampling risk and projecting misstatements found in the sample to the population.

f. Evaluate whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested.

Estimates and Forward-Looking Information

85. For purposes of this section of this proposed SSAE, the requirements in proposed AT-C section 210[34] related to estimates also apply to forward-looking information. (Ref: par. A184–A186)

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations

86. In applying proposed AT-C section 210,[35] the practitioner should discuss the matters about fraud or noncompliance with laws or regulations with the appropriate level of management or, when appropriate, those charged with governance (or, if different, the engaging party). (Ref: par. A187)

Designing and Performing Additional Procedures

87. In accordance with proposed AT-C section 210,[36] if the practitioner believes the sustainability information may be materially misstated, the practitioner should design and perform additional procedures sufficient to enable the practitioner to (Ref: par. A188)

a. conclude that the matter or matters are not likely to cause the sustainability information to

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[34] Paragraphs .32 and .53*i* of proposed AT-C section 210.
[35] Paragraph .35 of proposed AT-C section 210.
[36] Paragraph .39 of proposed AT-C section 210.

be materially misstated; or

b. determine that the matter or matters cause the sustainability information to be materially misstated.

Process for Assembling the Sustainability Information

88. The practitioner should perform the following procedures related to management's process for assembling the sustainability information:

a. Agreeing or reconciling the sustainability information with the underlying records

b. Obtaining, through inquiry of management, an understanding of material adjustments, if any, made during the course of preparing the sustainability information and considering whether additional procedures are necessary in the circumstances

Group Sustainability Information

89. For group sustainability information, the practitioner should design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process. Such procedures should include

a. obtaining, through inquiry of management, an understanding of how management has aggregated the information;

b. determining that all entities have been included in the sustainability information as required by the criteria; and

c. considering whether management's judgments made in the aggregation process give rise to indicators of possible management bias.

Accumulation and Consideration of Identified Misstatements

90. In accordance with proposed AT-C section 210,[37] the practitioner should

a. accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. A189)

b. communicate on a timely basis to management all misstatements accumulated during the engagement. (Ref: par. A190)

c. determine whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. A191–A196)

Evaluating the Description of Criteria

91. In accordance with proposed AT-C section 210,[38] the practitioner should evaluate whether the written description of the sustainability information or assertion adequately refers to or describes the criteria. (Ref: par. A197–A198)

[37] Paragraphs .40, .43, and.47 of proposed AT-C section 210.

[38] Paragraph .47 of proposed AT-C section 210.

Written Representations

92. In applying proposed AT-C section 210,[39] the practitioner should request that the written representations from management include management's acknowledgment of its responsibility for the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.

Requested Representations Not Provided or Not Reliable

93. In applying proposed AT-C section 210,[40] the practitioner should withdraw from the engagement when withdrawal is practicable, or disclaim a conclusion on the sustainability information if

- *a.* the practitioner concludes that there is sufficient doubt about the integrity of those providing the written representations required by paragraph 92 of this section of this proposed SSAE or paragraph .55*a–d* of proposed AT-C section 210 such that written representations in these regards are not reliable; or

- *b.* management or, when appropriate, those charged with governance do not provide the written representations required by paragraph 92 of this section of this proposed SSAE or paragraph .55*a–d* of proposed AT-C section 210.

Forming the Conclusion

Evaluating the Evidence Obtained

94. In accordance with proposed AT-C section 210,[41] the practitioner should evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, perform additional procedures based on the practitioner's professional judgment regarding what is necessary in the circumstances to be able to form a conclusion on the sustainability information. (Ref: par. A199–A200)

95. The practitioner should evaluate whether judgments and decisions made by management regarding estimates made and corresponding assumptions used in preparing the sustainability information indicate possible bias, even if they are individually reasonable. When indicators of possible bias are identified, the practitioner should evaluate the implications for the review engagement. Where there is intention to mislead, bias is fraudulent in nature.

Concluding

96. In accordance with proposed AT-C section 210,[42] the practitioner should form a conclusion

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[39] Paragraph .53 of proposed AT-C section 210.
[40] Paragraph .59 of proposed AT-C section 210.
[41] Paragraph .61 of proposed AT-C section 210.
[42] Paragraph .63 of proposed AT-C section 210.

about whether the practitioner is aware of any material modifications that should be made to the sustainability information in order for it to be in accordance with the criteria or to management's assertion in order for it to be fairly stated. (Ref: par. A201)

Preparing the Practitioner's Report

Content of the Practitioner's Report

97. The practitioner's report on sustainability information should include the following:

- *a.* A title that includes the word *independent.*
- *b.* An appropriate addressee based on the circumstances of the engagement.
- *c.* An identification or description of the sustainability information or assertion about the sustainability information being reported on, including the point in time or period of time to which the measurement or evaluation of the sustainability information or assertion relates. (Ref: par. A202)
- *d.* An identification of the criteria against which the sustainability information was measured or evaluated.
- *e.* A statement that identifies management, or those charged with governance, as appropriate, and its responsibility for the sustainability information being in accordance with the criteria or for its assertion, including the design, implementation, and maintenance of internal control relevant to the preparation of sustainability information that is free from material misstatement, whether due to fraud or error.
- *f.* A statement that the practitioner's responsibility is to express a conclusion on the sustainability information or assertion based on the practitioner's review.
- *g.* A statement that

    - i. the practitioner's review was conducted in accordance with attestation standards established by the AICPA. (Ref: par. A203–A205)
    - ii. those standards require that the practitioner plan and perform the review to obtain limited assurance about whether any material modifications should be made to

        1. the sustainability information in order for it to be in accordance with the criteria, or
        2. management's assertion in order for it to be fairly stated.

    - iii. the procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the sustainability information is in accordance with the criteria, in all material respects, or whether management's assertion is fairly stated, in all material respects, in order to express an opinion and that, accordingly, the practitioner does not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

iv. the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

v. misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the sustainability information or assertion being reported on. If materiality is defined or described differently in the criteria, the practitioner should include such definition or description instead.

vi. a review involves performing procedures to obtain evidence about the sustainability information. The nature, timing, and extent of the procedures selected depend on the practitioner's judgment and include

1. performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal controls relevant to the review to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of expressing a conclusion on the effectiveness of the internal control.
2. designing and performing procedures that are responsive to the assessed risks of material misstatement at the disclosure level.

vii. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion.

h. A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with the relevant ethical requirements relating to the practitioner's review.

i. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information. (Ref: par. A206–A208)

j. A description of the work performed as a basis for the practitioner's conclusion.

k. The practitioner's conclusion about whether, based on the review, the practitioner is aware of any material modifications that should be made to

i. the sustainability information in order for it be in accordance with the criteria, or

ii. management's assertion in order for it to be fairly stated.

l. When the circumstances identified in proposed AT-C section 210[43] are applicable, an alert,[44] in a separate paragraph, that restricts the use of the report.

m. The manual or printed signature of the practitioner's firm.

n. The city and state where the practitioner's report is issued.

o. The date of the report.

[43] Paragraph .71 of proposed AT-C section 210.

[44] Paragraph .72 of proposed AT-C section 210.

Dating the Practitioner's Report

98. 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 conclusion, including evidence that

a. the attestation documentation has been reviewed;
b. the sustainability information has been prepared; and
c. management has provided a written assertion or, in the circumstances described in proposed AT-C section 210,[45] an oral assertion.

Modifications to the Practitioner's Report

99. In accordance with proposed AT-C section 210,[46] the practitioner's conclusion on the sustainability information or assertion should be clearly separated from any paragraphs emphasizing matters related to the sustainability information or any other reporting responsibilities. (Ref: par. A209–A212)

Comparative Information

100. The practitioner should determine (Ref: par. A213, A224)

a. whether the framework criteria or law or regulation require comparative information to be presented and, if so,
b. whether the comparative information is required to, or otherwise will be, covered by the practitioner's conclusion. (Ref: par. A214–A217)

101. If comparative information is required to be presented by the framework criteria or law or regulation, the practitioner should evaluate whether the comparative information is consistent with the disclosures presented in the prior period and, if not, whether any changes that have been made to prior-period information are in accordance with the framework criteria or law or regulation. (Ref: par. A218–A224)

102. Irrespective of whether the comparative information is required to be presented by the framework criteria or law or regulation and whether it is covered by the practitioner's conclusion, if the practitioner becomes aware that there may be a material misstatement of the comparative information, the practitioner should discuss the matter with management. (Ref: par. A225–A226)

103. If comparative information is presented but not covered by the practitioner's conclusion and was not subject to an attestation engagement by the practitioner in the prior period, the practitioner should state that fact in a separate paragraph in the practitioner's report. Such a statement does not, however, relieve the practitioner of the requirements in paragraph 100.

104. If comparative information is presented but not covered by the practitioner's conclusion and was subject to an attestation engagement by the practitioner or a predecessor practitioner in the

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[45] Paragraph .A103 of proposed AT-C section 210.
[46] Paragraph .86 of proposed AT-C section 210.

prior period, the practitioner should consider whether to state that fact in a separate paragraph in the practitioner's report. (Ref. par. A227–A228)

Other Information

Reading the Other Information

105. In applying proposed AT-C section 210,[47] while reading the other information, the practitioner should remain alert for indications that a material inconsistency exists between the other information and the practitioner's knowledge obtained during the review engagement, in the context of evidence obtained and conclusions reached in the engagement. (Ref: par. A229)

Responding to Matters Related to the Other Information

106. In applying proposed AT-C section 210,[48] when the practitioner discusses the material inconsistency, material misstatement of fact, or misleading information with management, and management agrees that a correction is necessary and to make the correction, the practitioner should determine that the correction is made.

107. If management refuses to make the correction, the practitioner should communicate the matter to those charged with governance and request that the correction be made. If management or those charged with governance are not also the engaging party and the correction is not made, the practitioner should communicate the matter to the engaging party.

108. If the material inconsistency, material misstatement of fact, or misleading information is not corrected after discussion with management, those charged with governance, or the engaging party, as appropriate, the practitioner should

a. consider the implications for the practitioner's report and communicate to management, those charged with governance, or the engaging party, as appropriate, about how the practitioner plans to address the material misstatement in the practitioner's report; or
b. withdraw from the engagement, when withdrawal is practicable.

Responding When a Material Misstatement of the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated

109. If, as a result of performing the procedures in paragraph 105, the practitioner concludes that a material misstatement of the sustainability information exists or the practitioner's understanding of the entity and its environment needs to be updated, the practitioner should respond appropriately.

Documentation

[47] Paragraph .96 of proposed AT-C section 210.
[48] Paragraph .98 of proposed AT-C section 210.

110. In accordance with proposed AT-C section 105,[49] the practitioner should prepare engagement documentation on a timely basis that is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand (Ref: par. A230)

a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements;
b. the results of the procedures performed, and the evidence obtained; and
c. the significant matters arising during the engagement, the conclusions reached thereon, and the significant professional judgments made in reaching those conclusions.

Application and Other Explanatory Material

Introduction (Ref: par. 2)

A1. The terms *ESG*, *sustainability*, and *corporate social responsibility* are often used interchangeably.

A2. Sustainability information is often intended to give insight into sustainability-related risks and opportunities for users to understand and evaluate the impacts of sustainability matters on the entity or the entity's actual or potential impacts, positive or negative, on the environment, society, or the economy.

A3. The framework criteria determine the principles and concepts regarding the measurement or evaluation of sustainability matters. Although the framework criteria might not specify how to measure or evaluate all sustainability matters, they ordinarily embody broad principles sufficient to serve as a basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework criteria.

A4. In a review engagement, when the practitioner is reporting directly on the subject matter, it is most likely that the sustainability information will be expressed as "in accordance with the criteria." Accordingly, this section of this proposed SSAE does not refer to "sustainability information based on the criteria." However, there may be review engagements on sustainability information in which it is appropriate to express the sustainability information as "based on the criteria."

A5. The entity's process to identify sustainability information to be reported, including the identification and selection of the sustainability matters and the reporting boundary, may be required by the sustainability reporting framework or entity-developed criteria. Such a process may be referred to as the entity's "materiality assessment" or "materiality process," among other terms, because the process involves the application of materiality in identifying which information relevant to the information needs of intended users is material for the purposes of reporting.

A6. The criteria, particularly framework criteria, may include guidance about the sustainability matters (including the topics and aspects of topics) to be reported. The criteria also may establish

[49] Paragraph .68 of proposed AT-C section 105.

how those sustainability matters are to be measured or evaluated and how they are to be presented or disclosed.

A7. The scope of the attestation engagement might not extend to the entirety of the sustainability information reported. Therefore, for purposes of this section of this proposed SSAE, the term *sustainability information* is to be read as the information the practitioner has been engaged to report on. Sustainability information not subject to the attestation engagement that is included in a document or documents containing the sustainability information subject to the attestation engagement and the attestation report thereon is other information.

A8. As noted in paragraph A19, sustainability information may include disclosures about risk management, control environments, and internal control processes over sustainability reporting. Such disclosures can be within the scope of the review engagement to report on sustainability information. However, proposed AT-C section 210 precludes practitioners from performing review engagements on the operating effectiveness or suitability of design of internal controls.

Scope of This Proposed Section (Ref: par. 9)

A9. The underlying subject matter and criteria used that resulted in the subject matter information on which the practitioner is engaged to perform an attestation engagement may be used to determine if the primary subject matter information is sustainability information and in scope of this section of this proposed SSAE. The fact that the subject matter of a practitioner's attestation engagement relates to a sustainable activity of the entity does not necessarily mean that the attestation engagement is in scope of this section of this proposed SSAE. For example, an engagement to obtain assurance that the proceeds received through "green bonds" were spent on or allocated to projects designated in the prospectus as sustainability projects might not be in scope of this section of this proposed SSAE because the primary purpose of the engagement is to obtain assurance that the proceeds from the financing were spent or allocated in accordance with the criteria.

Definitions (Ref: par. 15)

Component

A10. In this section of this proposed SSAE, an *entity* is a legal entity, economic entity, or the identifiable portion of a legal or economic entity, or a combination of legal or other entities or portions of those entities, to which the sustainability information relates. An example of an identifiable portion of a legal or economic entity is a single factory or other form of facility, such as a landfill site.

A11. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For purposes of this section of this proposed SSAE, entities or business units required to be included in the reporting entity's group financial statements (for example, subsidiaries of a parent entity) are referred to as *group components*. The framework criteria may also require the sustainability information to be extended to include information from other entities that are part of the reporting entity's upstream or downstream value chain. For purposes of this section of this proposed SSAE, components that include such entities are referred to as *value chain components*.

Group

A12. A single legal entity organized with branches or divisions (also referred to as *business units* in this section of this proposed SSAE) is also a group for purposes of this section of this proposed SSAE if the sustainability information for those branches and divisions is included in the single legal entity's sustainability information through an aggregation process.

Group Sustainability Information

A13. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial statements. For example, if consolidated financial statements are required to be prepared in accordance with the applicable financial reporting framework, then the sustainability information would include information for the same entities or business units included in the consolidated financial statements. The criteria may also require the sustainability information to be extended to include information from other entities that are part of the upstream or downstream value chain. Such sustainability information, including information from the value chain, is referred to as *group sustainability information* in this section of this proposed SSAE.

Reporting Boundary

A14. In some cases, framework criteria may specify the reporting boundary. In other circumstances, the reporting boundary may be determined by the entity, in which case the reporting boundary will be part of the entity-developed criteria. The reporting boundary may vary for different topics or aspects of topics (for example, some key performance indicators may have different boundaries from other key performance indicators because of the nature of sustainability matters).

A15. Although the entity's sustainability information and financial statements may relate to the same reporting entity, the reporting boundary for sustainability information may differ from the boundary for purposes of preparing financial statements. For example, the reporting boundary may include activities, operations, relationships, or resources up and down the entity's value chain. An entity's supply chain is part of the value chain.

Service Organization

A16. The services provided by service organizations to user entities are most likely to be relevant to the attestation engagement when they relate to those user entities' internal control over the preparation of sustainability information.

Sustainability Disclosures

A17. In this section of this proposed SSAE, the term *sustainability disclosures* refers to sustainability information about an aspect of a topic and is not intended to have the same meaning as *financial statement disclosures* as defined or described in financial reporting frameworks.

A18. The appendix explains the relationship between sustainability matters, sustainability information, and the related sustainability disclosures. Sustainability disclosures may include quantitative or qualitative information, can vary in form and length, and provide a starting point in considering whether and how certain sustainability disclosures may be combined by the practitioner for the purpose of planning and performing the engagement.

Sustainability Information

A19. As explained in paragraph 2, sustainability information is information about sustainability matters and may cover a number of topics and aspects of those topics. Paragraph 2 also explains that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics, or aspects of topics in different ways.
Examples of topics and aspects of topics include the following:

- *Environmental topics*
  - Climate, including emissions
  - Energy, such as type of energy and consumption
  - Water and effluents, such as water consumption and water discharge
  - Biodiversity, such as impacts on biodiversity or habitats protected and restored
- *Social topics*
  - Labor practices, such as diversity and equal opportunity, training and education, and occupational health and safety
  - Human rights and community relations, such as local community engagement, impact assessments, and development programs
  - Customer health and safety
- *Governance topics*
  - Monitoring, managing, and overseeing sustainability matters and their related impacts
- *Aspects of topics*
  - Impact analysis, including magnitude of impact
  - Strategy and business model
  - Risks and opportunities
  - Innovation to address risks and opportunities
  - Financial effects arising from risks and opportunities
  - Risk management or mitigation
  - Governance
  - Metrics and key performance indicators
  - Targets
  - Internal control over monitoring and managing risk
  - Scenario analysis

Sustainability Matters

A20. Law or regulation or sustainability reporting frameworks may define or describe sustainability matters in different ways. Depending on the criteria, sustainability matters may address

- the impacts on the entity's strategy, business model, or performance;
- the impacts of the entity's activities, products, and services on the environment, society, or the economy; or
- the entity's sustainability policies, plans, goals, or targets.

A21. In addition to impacts, the criteria may also refer to risks and opportunities (for example, how sustainability-related risks and opportunities could reasonably be expected to affect the entity's prospects) or dependencies (for example, resources and relationships throughout the entity's value chain that may affect the entity's strategy or business model).

Environmental Matters

A22. Environmental matters relate to how an entity is exposed to and manages risks and opportunities related to the environment and addresses topics such as climate, natural resource scarcity, pollution, emissions, waste, biodiversity, impacts on biodiversity of habitats protected or restored, types of energy and energy consumption, water consumption and water discharge, and an entity's impact on the environment.

Social Matters

A23. Social matters encompass information about an entity's values and business relationships and address topics such as fair labor practices, training and education, the use of ethically sourced material in the production of products, product quality and safety, human capital considerations such as employee health and safety, diversity and inclusion policies and efforts, human rights, and community relations.

Governance Matters

A24. Governance matters encompass an entity's rules, practices, and processes by which the entity is directed and controlled and address topics such as the structure and diversity of the board of directors; executive compensation; critical event responsiveness; entity resiliency; policies and practices related to lobbying, political contributions, bribery, and corruption; and monitoring, managing, and overseeing sustainability matters and their related impacts.

Management and Those Charged With Governance (Ref: par. 17)

A25. For purposes of this section of this proposed SSAE, the responsible party is presumed to be management of the entity for which the practitioner is performing an attestation engagement on sustainability information.

A26. Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for this section of this proposed SSAE to specify for all engagements the person or persons with whom the practitioner is to interact regarding particular matters. Identifying the appropriate management personnel or those charged with governance with whom to interact for a particular matter may require the exercise of professional judgment.

Preconditions for a Review Engagement

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances (Ref: par. 18)

A27. The practitioner uses professional judgment in determining the nature and extent of the preliminary knowledge of the engagement circumstances needed to establish that the preconditions for an attestation engagement are present. That knowledge ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement.

A28. The scope of the attestation engagement may extend to all the sustainability information reported by the entity (for example, the entity's sustainability report) or only part of it (for example, it may be limited to specific sustainability disclosures such as disclosures about key performance indicators for product recycling rates). Also, the scope of the proposed attestation engagement may encompass the reporting boundary covered by the sustainability information to be reported, or only certain jurisdictions, entities, operations, or facilities within the reporting boundary. The reporting boundary within the scope of the attestation engagement may be established by law, regulation, or professional requirements, or it may be determined by management.

A29. The entity's process, including controls, to enable the preparation of the sustainability information that is free from material misstatement ordinarily includes the entity's process to identify sustainability information to be reported in accordance with the criteria. When deciding whether to accept the engagement, the practitioner may consider the absence of such a process in determining whether the practitioner expects to obtain the evidence needed to support the practitioner's conclusion.

Appropriate Sustainability Matters

Appropriateness of the Scope of the Review Engagement (Ref: par. 20)

A30. The practitioner's evaluation of the appropriateness of the scope of the attestation engagement ordinarily involves the consideration of the results of the practitioner's evaluation, as applicable, of the characteristics of the criteria.

A31. If the scope of the attestation engagement includes only part of the sustainability information being reported by the entity (for example, in reporting labor practices, management requests that the practitioner's engagement include only occupational health and safety disclosures), the practitioner may consider whether the reasons for the scope of the engagement are appropriate.

A32. The entity may not have a reasonable basis for all the disclosures in the sustainability information, such as when the entity's processes to prepare some or all of the sustainability information are at an early stage of development. In such cases, if permitted by the criteria, it may be possible to include only those areas of the sustainability information for which the processes are more developed within the scope of the attestation engagement, because the preconditions have been met for those areas.

A33. When law or regulation does not require assurance on sustainability information, and in particular for sustainability information that is reported voluntarily, there may be legitimate reasons for not including all the sustainability information being reported by the entity within the scope of an attestation engagement. In evaluating whether the sustainability information within the scope of the attestation engagement is appropriate, the practitioner may consider the following:

- Whether the sustainability information within the scope of the attestation engagement is likely to meet the information needs of intended users
- How the sustainability information will be presented
- Whether intended users may misinterpret what has, and has not, been subject to the attestation engagement.

A34. Examples of circumstances in which the sustainability information subject to the attestation engagement may not be appropriate include the following:

- There is inadequate justification for not including sustainability information to be reported within the scope of the engagement.
- The attestation engagement excludes sustainability information that can be readily measured or evaluated, and the exclusion of this sustainability information from the attestation engagement may be misleading to intended users.
- The attestation engagement excludes sustainability information that may be significant to intended users' decisions.
- The attestation engagement includes sustainability information that may be perceived by intended users as positive and excludes sustainability information that is negative (for example, areas where the entity has not met targets or has not taken action to achieve goals).
- The reporting boundary excludes significant entities, operations, or facilities, which may be misleading to intended users.

Suitability of Criteria (Ref. par. 21)

A35. If suitable criteria are unavailable for some of the sustainability information subject to the attestation engagement but the practitioner can identify one or more disclosures for which the criteria are suitable, then an attestation engagement may be performed with respect to only those disclosures.

Evidence to Support the Practitioner's Conclusion (Ref: par. 22)

A36. Proposed AT-C section 105[50] indicates that one of the preconditions for an attestation engagement is that the practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion. Examples of the nature and availability of evidence that may affect the practitioner's ability to obtain evidence include the following:

- The timing of the practitioner's appointment, the entity's document retention policy, inadequate information systems, or a restriction imposed by management, those charged with governance, or, if different, the engaging party.
- The nature of the relationship between management, those charged with governance, and, if different, the engaging party, affecting the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to complete the engagement.
- Evidence located at organizations not controlled by the entity, such as entities within the value chain but outside of the reporting entity's control. In such cases, the practitioner may determine whether the entity has contractual arrangements with those organizations to provide access to persons or information, or to provide independent attestation reports on relevant controls or the measurement or evaluation of relevant sustainability matters, or whether the entity has plans to put such arrangements in place.

Terms of the Review Engagement

Agreeing the Terms of the Review Engagement (Ref: par. 23)

A37. The requirement to include the reporting boundary in the agreed-upon terms of the engagement is satisfied if the criteria used to measure and evaluate the sustainability matters specify the acceptable reporting boundary.

Engagement-Level Quality Management

Engagement Resources

Competence and Capabilities of the Engagement Team (Ref: par. 25)

A38. The more complex the engagement, including its geographical spread and the extent to which information is derived from the entity's value chain, the more necessary it may be to consider how the work of a practitioner's specialist or participating practitioner is to be integrated across the engagement.

Resources Needed to Perform the Engagement (Ref: par. 26)

[50] Paragraph .34*a* of proposed AT-C section 105.

A39. For a group sustainability review engagement, the engagement partner's determination about whether the resources assigned or made available are sufficient and appropriate may include considering whether there is a need to involve participating practitioners with knowledge and experience of the laws, regulations, language, or culture in certain jurisdictions.

A40. The following are matters that may influence the practitioner's determination of the resources needed to perform a group sustainability attestation engagement, including participating practitioners:

- Whether sufficient appropriate evidence is expected to be available from records held by group management, considering
  - — the practitioner's understanding of the entity and its environment.
  - — the entity's system of internal control, including the information system, and its degree of centralization. For example, the need to involve a participating practitioner may be greater when the system of internal control is decentralized.
- Whether the practitioner is aware of work that has been performed, or will be performed, on sustainability information that has been aggregated from other entities within the entity's control.
- The geographic dispersion of the entities or business units from which information is aggregated.
- Management's process for obtaining information from the value chain. In some circumstances, the criteria may permit management to estimate the information to be reported by using sector-average data and other proxies if management is unable to obtain the information after making reasonable efforts to do so.
- Access arrangements, or any restrictions on access to information. For example, using the work of a participating practitioner may be necessary if the practitioner's access to information from an entity in a particular jurisdiction is restricted.
- The knowledge and experience of the engagement team. For example, a participating practitioner may have greater experience and more in-depth knowledge than the practitioner about local laws or regulations, business practices, language, and culture.
- Previous experience of using the work of participating practitioners.

Using the Work of a Practitioner's Specialist

The Competence and Capabilities of a Practitioner's Internal Specialist (Ref: par. 27*a*)

A41. A practitioner's internal specialist is part of the engagement team.[51] As such, the internal specialist's objectivity would be part of the relevant ethical requirements to which all engagement team members are required to comply, and the engagement partner has certain responsibilities.[52]

The Competence, Capabilities, and Objectivity of a Practitioner's Specialist (Ref: par. 27*a–b*)

[51] *Engagement team* is defined in paragraph .11 of proposed AT-C section 105.
[52] Paragraphs .55–.60 of proposed AT-C section 105.

A42. Information regarding the competence, capabilities, and objectivity of a practitioner's specialist may come from a variety of sources, such as the following:

- Personal experience with previous work of that specialist
- Discussions with that specialist
- Discussions with other practitioners or others who are familiar with that specialist's work
- Knowledge of that specialist's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition
- Published papers or books written by that specialist
- The firm's quality management policies and procedures

A43. Although a practitioner's specialist does not require the same proficiency as the practitioner in performing all aspects of a review 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.

A44. The evaluation of the significance of threats to objectivity and whether there is a need for safeguards may depend on 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 a review engagement a practitioner's specialist is an individual who has played a significant role in measuring, evaluating, or disclosing the subject matter.

A45. When evaluating the objectivity of a practitioner's external specialist, it may be relevant to do the following:

- Inquire of management, those charged with governance, and, if different, the engaging party about any known interests or relationships that management, those charged with governance, and, if different, the engaging party have 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 management, those charged with governance, and, if different, the engaging party of which that specialist is aware.

Obtaining an Understanding of the Field of Expertise of a Practitioner's Specialist (Ref: par. 27*c*)

A46. 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. 27*d)*

A47. The matters noted in paragraph 27 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. The following factors may suggest the need for a more detailed agreement than would otherwise be the case or for the agreement to be in writing:

- The practitioner's specialist will have access to sensitive or confidential information of the entity.
- The respective roles or responsibilities of the practitioner and the practitioner's specialist are different from those normally expected.
- Multijurisdictional legal or regulatory requirements apply.
- The matter to which the work of the practitioner's specialist relates is highly complex.
- The practitioner has not previously used work performed by the practitioner's specialist.
- The practitioner's use of the work of the practitioner's specialist and its significance in the context of the review engagement is extensive.

Integrating the Work of a Practitioner's Specialist (Ref: par. 29*a*)

A48. 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.

A49. 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 29 at the engagement acceptance or continuance stage. In particular, this is appropriate when the work of the practitioner's specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment.

Firm's System of Quality Management (Ref: par. 29*e*)

A50. Engagement teams are entitled to rely on their own firm's system of quality management, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner's procedures with respect to matters such as the following:

- The practitioner's determination of the competence of the practitioner's internal specialist (For example, the competence of the practitioner's internal specialist includes an awareness of and compliance with 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 specialist with an appropriate understanding of the interrelationship of the specialist's 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 specialist, 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 of this proposed SSAE.

Using Internal Auditors to Provide Direct Assistance (Ref: par. 34 and 48)

A51. Because the practitioner has sole responsibility for the conclusion expressed, the evaluation of the use of internal auditors to provide direct assistance and the use of the internal audit function is performed in the aggregate. If the practitioner plans to use the internal audit function in obtaining evidence and also plans to use internal auditors to provide direct assistance, only one evaluation would be necessary to address the requirements of paragraphs 34 and 48.

Planning

Planning Activities (Ref: par. 35)

A52. The nature and extent of planning activities will vary with the engagement circumstances. Examples of matters that may be considered include the following:

- The characteristics of the entity and its activities
- Whether the engagement is an examination engagement, a review engagement, or a combined examination and review engagement
- The nature of the sustainability matters
- The expected timing and the nature of the communications required with management or those charged with governance
- The reporting boundary
- The practitioner's understanding of the entity and its environment, including the risks that the disclosures may be materially misstated due to fraud or error
- The intended users and their information needs
- The nature, timing, and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of specialists
- If the entity has an internal audit function, the impact on the engagement

A53. The practitioner uses professional judgment in identifying the appropriate approach to planning and performing procedures to obtain sufficient appropriate evidence. Understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement. Matters that may be relevant in this regard include the following:

- The information needs of intended users (for example, intended users may place more significance on information about certain sustainability topics, or aspects of topics, than others).
- Whether the criteria address how the sustainability information should be presented, and how the entity has applied such criteria. Criteria do not always specify in detail the required level of aggregation or disaggregation; they may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances. For example, the criteria may require the entity to report operational sites situated in areas of high biodiversity value by geographical location only. In other circumstances, the criteria may require that information be disaggregated further based on operational size and relative vicinity.
- The entity's reporting policies regarding preparation of the sustainability information, including its policies for classification and presentation of the sustainability information.

- Whether the disclosures pertain to one or more entities within the reporting boundary, and whether such entities are within or outside the reporting entity's control.
- The extent to which the sustainability information
  - — is processed using common information systems and controls, and
  - — has a common unit of measure.
- How sustainability information is communicated internally to management or those charged with governance.
- Whether the disclosures relate to similar or interconnected topics, aspects of topics, or characteristics (see also paragraphs A55–A56).
- How the entity's industry peers present the sustainability information.

A54. The practitioner may decide that the way management has aggregated or disaggregated the sustainability information for purposes of presentation is the most appropriate approach for the engagement. However, the practitioner may decide that there are other logical ways of aggregating or disaggregating the sustainability information for purposes of planning and performing the engagement.

A55. In addition to the factors in paragraph A53, preliminary expectations about the risks of material misstatement may also be relevant to the practitioner's decision about aggregating or disaggregating the sustainability information. For example, if misstatements were identified in the information for certain topics or aspects of topics in previous attestation engagements, the practitioner may decide that the information for those topics or aspects of topics needs to be considered separately.

A56. The practitioner's decision about aggregating the entity's disclosures for purposes of planning and performing the engagement, and how the disclosures are aggregated, involves professional judgment. Given the diverse nature of sustainability information, some topics and aspects of topics are more capable of being grouped than others. In addition, care is needed when aggregating disclosures so that risks of material misstatement are identified and responded to appropriately.

A57. Examples of possible ways for the practitioner to aggregate the disclosures include the following:

- *By topics.* For example, all disclosures on climate; all disclosures on labor practices
- *By aspects of topics.* For example, all disclosures regarding risks and opportunities (regardless of the topic); all disclosures regarding targets
- *By topic and aspect of topic.* For example, all disclosures regarding targets for climate; all disclosures regarding scenario analysis for climate
- *By characteristics.* For example, all disclosures that are qualitative; all disclosures that are forward-looking; all disclosures that are historical
- *By characteristics by aspect of topic.* For example, all disclosures regarding targets that are judgmental; all disclosures regarding targets that are historical

Overall Engagement Strategy for a Group Sustainability Review Engagement

Sustainability Information on Which Procedures Will Be Performed and Resources Needed (Ref: par. 36*a*–*b*)

A58. For a group sustainability review engagement, the determination of the information on which work will be performed is a matter of professional judgment depending on the source of the information (that is, the entities or business units to which the information relates). Matters that may influence the practitioner's determination include, for example, the following:

- The nature and extent of disaggregation of the sustainability information (The matters described in paragraph A54 may be helpful in this regard.)
- Whether there are specific locations at which procedures may need to be performed to obtain sufficient appropriate evidence for sustainability information that is important to intended users (for example, if information about occupational health and safety is of particular importance to users and such information is confined to one or two entities or business units)
- The nature and extent of misstatements or control deficiencies identified at entities in prior sustainability attestation engagements

A59. In determining the nature and extent of evidence to be obtained in relation to sustainability information from group components or value chain components, the following procedures may be considered by the practitioner:

- *Inspecting records and documents held by the group*. The reliability of this evidence is determined by the nature and extent of the records and supporting documentation retained by the entity. In some cases, the group might not maintain independent detailed records or documentation of specific sustainability matters relating to group components and, in most cases, will not do so with respect to value chain components.
- *Inspecting records and documents at the component.* The practitioner's access to the records of a component may be established as part of the contractual or other arrangements between the group and the component. This is more likely to be the case for group components.
- *Testing management's process for obtaining information from value chain components.* Due to the limitations that may exist in obtaining information from the value chain, the practitioner's procedures may in some cases be limited to evaluating whether management has complied with the requirements of the criteria and testing the reasonableness of such information. The practitioner may also seek to obtain evidence from the work of an other practitioner if work has been performed on that information. Regardless of any limitations that may exist in obtaining information from the value chain, the practitioner is required to obtain sufficient appropriate evidence.
- *Obtaining confirmations of sustainability information from the component*.
    - — If the group maintains independent records of sustainability information, confirmation from the component corroborating information in the group entity's records may constitute reliable evidence.
    - — If the group does not maintain independent records, information obtained in confirmations from the component is merely a statement of what is reflected in the records maintained by the component. Therefore, such confirmations do not, taken

alone, constitute sufficient appropriate evidence. In these circumstances, the practitioner may consider whether an alternative source of independent evidence can be identified.

- *Performing analytical procedures on the records maintained by the group or on the information received from the component.* The effectiveness of analytical procedures is likely to vary by disclosure or assertion and will be affected by the extent and detail of information available.

Materiality (Ref: par. 38)

A60. Not all sustainability disclosures involve the same materiality considerations. Ordinarily, materiality is considered or determined for different sustainability disclosures. For different sustainability disclosures, the same intended users may have different information needs or a different tolerance for misstatement. Also, the sustainability disclosures may be expressed using different units of measure. Considering qualitative factors may help the practitioner identify sustainability disclosures that may be more significant to the intended users. For example, intended users may place more importance on information about food or drug safety than they do on information about the recycling of non-hazardous waste because the consequences of poor safety standards in food or drug production are likely to be more serious to human health than those for not recycling non-hazardous waste. Intended users may, therefore, have a lower tolerance for misstatement of information about food or drug safety than about recycling of non-hazardous waste.

*Consideration of Materiality for Qualitative Sustainability Disclosures (Ref. par. 38*a*)*

A61. In addition to the factors described in proposed AT-C section 210,[53] examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative sustainability disclosures include the following:

- The number of persons or entities affected by, and the severity of the effect of, the sustainability matter (For example, a hazardous waste spill may affect a small number of people, but the effect of that spill could lead to serious adverse consequences to the environment)
- The interaction between, and relative importance of, multiple topics and aspects of the topics
- The form of the presentation of the sustainability information when the criteria allow for variations in the presentation
- The nature of a potential misstatement and when it would be considered material (For example, the nature of observed deviations from a control when the sustainability information is a statement that a process exists or that the control is effective)
- Whether a potential misstatement could affect compliance with law or regulation, including whether there is an incentive or pressure on management to achieve an expected target or outcome (For example, a practitioner may consider a potential misstatement to be material if it affected a threshold at which a carbon tax would be payable by the entity.)
- Whether a potential misstatement would be significant based on the practitioner's

[53] Paragraph .A25 of proposed AT-C section 210.

understanding of known previous communications to the intended users on matters relevant to their information needs (For example, in relation to the expected outcome of goals or targets, the degree to which a potential misstatement would affect the entity achieving the goal or target)

- When the sustainability matter relates to a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility, and sensitivity of the program or entity
- If the criteria include the concept of due diligence regarding impacts, the nature and extent of those impacts (For example, a practitioner may consider whether the entity's sustainability disclosures omitted or distorted the actions taken to prevent or mitigate negative impacts or whether the entity's actions to prevent or mitigate negative impacts were not effective.)
- For narrative sustainability disclosures, whether the level of detail of the description or the overall tone of the words used to describe the matter may give a misleading picture to users of the sustainability information
- How the presentation of the information influences users' perception of the information (For example, when management presents the sustainability disclosures in the form of graphs, diagrams, or images, materiality considerations may include whether using different scales for the *x*- and *y*-axes of a graph may be potentially misleading.)

*Determination of Materiality for Quantitative Sustainability Disclosures (Ref. par. 38*b*)*

A62. For quantitative sustainability disclosures (for example, a key performance indicator expressed in numerical terms), materiality may be determined by applying a percentage to the reported metric or to a chosen benchmark related to the sustainability disclosure. Examples of thresholds may include "*x*% of investment in community projects (in hours or monetary terms)," "*y*% of energy consumed" (in kWh)," or "*z*% of land rehabilitated (in acres)." Qualitative factors may also be relevant when determining materiality for quantitative sustainability disclosures.

A63. Factors that may affect the identification of an appropriate benchmark and percentage include the following:

- *The elements of the sustainability disclosure.* For example, if there is an element that is likely to be the focus of intended users, it may be the appropriate benchmark.
- *The relative volatility of the benchmark.* For example, if the benchmark varies significantly from period to period, it may be appropriate to set materiality relative to the lower end of the fluctuation range even if the current period is higher.
- *The requirements of the criteria.* If the criteria specify a percentage threshold for materiality, this may provide a frame of reference to the practitioner in determining materiality for the sustainability disclosure.

A64. The criteria may require disclosures of historical cost financial information. For example, topics reported may include community investment, training expenditures, or taxes by jurisdiction. These may also be reported in the entity's financial statements. The practitioner, or an other practitioner, may be engaged to audit those financial statements. The materiality used for these aspects of the sustainability disclosures need not be the same as the materiality used in the audit of the entity's financial statements.

When the Entity Is Required to Apply Both Financial Materiality and Impact Materiality (Ref: par. 39)

A65. Financial materiality and impact materiality, when relevant, are generally defined by the sustainability reporting framework in the context of management's preparation of sustainability information. If both financial and impact materiality (which may be described as *double materiality*) are required to be applied by the sustainability reporting framework or entity-developed criteria, paragraph 39 requires the practitioner to take into account management's judgments on both financial materiality and impact materiality when considering or determining materiality for purposes of planning and performing procedures and determining whether identified misstatements are material, so that

- for quantitative sustainability disclosures, ordinarily the lower level of materiality for financial or impact materiality would be used.
- for qualitative sustainability disclosures, when applying the factors in paragraph A62 and other misstatement considerations in paragraphs A196–A197, ordinarily the greater level of detail needed in the materiality for financial or impact materiality would be used.

Performance Materiality (Ref: par. 40)

A66. Performance materiality may be used during different stages of the attestation engagement. For example, performance materiality may be useful to help identify and assess risks of material misstatement at the sustainability disclosures level and to determine the nature, timing, and extent of further procedures.

A67. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the practitioner's understanding of the entity that is updated during the performance of the risk assessment procedures. Factors the practitioner may take into account in setting performance materiality include the following:

- The extent of disaggregation of the sustainability disclosures. For example, in a group engagement, as the extent of disaggregation across components increases, a lower performance materiality ordinarily would be appropriate to address aggregation risk. The relative significance of the component to the reporting entity may affect the extent of disaggregation (e.g., if a single component represents a large portion of the reporting entity, there likely may be less disaggregation across components).
- Expectations about the nature, frequency, and magnitude of misstatements of the disaggregated sustainability disclosures, including those identified in previous engagements.

A68. Performance materiality does not address misstatements that would be material solely due to qualitative factors that affect their significance. However, designing procedures to increase the likelihood of the identification of misstatements that are material solely because of qualitative factors, to the extent it is possible to do so, may also assist the practitioner in addressing aggregation risk.

Revision of Materiality as the Engagement Progresses (Ref: par. 41)

A69. Materiality may be revised as a result of a change in circumstances during the attestation engagement (for example, the disposal of a major part of the entity's business), new information, or a change in the practitioner's understanding of the entity and its operations as a result of performing procedures. For example, it may become apparent during the engagement that the percentage of significant product categories for which customer health and safety impacts are assessed for improvement is likely to be substantially different from that expected during planning. If during the engagement the practitioner concludes that a different materiality is appropriate, it may be necessary to revise the nature, timing, and extent of further procedures.

Evidence

Evaluating Information to Be Used as Evidence (Ref: par. 42)

A70. In designing and performing procedures that are appropriate in the circumstances to provide evidence to meet the intended purpose of those procedures, the practitioner's considerations may include whether information to be used as evidence

- is expected to be available in digital, written, or oral form, related to a point in time or for a period, and is to be obtained from internal or external sources.
- is needed across multiple disclosures and how that affects the nature, timing, and extent of evidence needed. For example, the nature and availability of appropriate evidence may vary based on whether the disclosures relate to an entity's processes, governance, controls, or key performance indicators, and the characteristics of the disclosures, such as whether they are quantitative, qualitative, historical, or forward-looking (see also paragraphs A73–A76).
- relates to disclosures that include information from the entity's value chain and how that may affect the ability to obtain sufficient appropriate evidence.
- will need to be obtained across multiple locations or jurisdictions (for example, for a group sustainability attestation engagement).
- relates to disclosures that are factual, judgmental, or subject to estimation uncertainty.

S*ufficiency and Appropriateness of Evidence*

A71. Factors that affect the evidence that may be available in the circumstances, in terms of quantity or quality, and therefore affect its sufficiency or appropriateness, include the following:

- The characteristics of the sustainability matters or disclosures. For example, less objective evidence might be expected when the disclosures are forward-looking rather than historical.
- Whether the source of the information used to prepare the disclosures is accessible. For example, if the criteria require the sustainability information to include information from value chain entities outside of the entity's control, there may be limitations on access to such information or to the work of an other individual that may have provided an attestation report on such information. Such limitations may also affect the practitioner's evaluation of the relevance and reliability of this information to be used as evidence.
- Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of factors such as those described in paragraph A36.

Qualitative Evidence

A72. The entity's information system, including internal controls, may be different for quantitative and qualitative information. This may have implications for the practitioner's planned procedures, the ability to obtain the evidence needed about qualitative sustainability information, and the practitioner's conclusion. For example, when designing and performing procedures for qualitative sustainability information, the practitioner may consider the source of the information to be used as evidence, how such information has been captured and processed by the entity's information system, and how this may affect the reliability of the information. For example, information may be captured directly into the entity's information system on a real-time basis without supporting documentation or may be obtained through informal communication.

Forward-Looking Information

A73. Forward-looking information, by its nature, is predictive and may be expressed in both quantitative and qualitative terms. Information about future conditions or outcomes relates to events and actions that have not yet occurred and might not occur, or that have occurred but are still evolving in unpredictable ways. For example, this information may include forecasts or projections and may relate to the entity's intentions or strategy, future risks, or opportunities. While forward-looking information may result from applying criteria to the sustainability matters, the sustainability matters (a future event, occurrence, or action) may be subject to greater uncertainty and are ordinarily able to be evaluated with less precision than historical matters. Uncertainty and the need for judgment are also likely to increase the further into the future the period to which the disclosures relate. Unlike historical information, it is not possible for the practitioner to determine whether the results or outcomes forecasted or projected will be achieved or realized. The practitioner may obtain evidence about whether the forward-looking information has been prepared in accordance with the criteria on the basis of the assumptions used by the entity, and

- in the case of forecasts, whether the assumptions used provide a reasonable basis for preparing the sustainability information; or

- in the case of projections that use hypothetical assumptions, whether such assumptions are consistent with the purpose of the information.

A74. Evidence may be available to support the assumptions on which the forward-looking sustainability information is based, but such evidence itself may also be forward-looking and, therefore, speculative in nature. Accordingly, the practitioner may need to exercise significant professional judgment in determining whether the evidence is sufficient and appropriate. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range.

A75. The nature and availability of evidence for forward-looking information, and what constitutes sufficient appropriate evidence, will likely vary by topics, aspects of topics, and disclosures, and the practitioner's consideration of potential material misstatements. For example,

- when disclosures relate to future strategy, a target, or other intentions of an entity, the practitioner may focus evidence-gathering activities on whether management or those charged with governance have an intention to follow that strategy, the target or intention exists, or there is a reasonable basis for the intended strategy or target. (For example, the practitioner may obtain evidence to support that the entity has the ability to carry out its intent or is implementing controls over source data and the assumptions on which the strategy is based.)
- when disclosures relate to future risks and opportunities, the practitioner may focus evidence-gathering activities on information available from the entity's risk register or records of discussions of those charged with governance if the entity's controls over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence.

Form, Availability, Accessibility, and Understandability of Information

A76. The form, availability, accessibility, and understandability of the information to be used as evidence may affect

- the design and performance of the procedures in which the information will be used; and
- the practitioner's evaluation of the relevance and reliability of the information.

For example, information may only be available in digital form on a continuous basis. In such circumstances, the practitioner may use automated tools and techniques that are designed to operate on a real-time basis to evaluate the relevance and reliability of the information.

A77. The practitioner may receive information to be used as evidence in many forms, ranging from information generated from highly complex automated systems to information manually prepared by management and others within the entity. The practitioner may have an expectation of the form in which information to be used as evidence will be received. Remaining alert for information to be used as evidence that is received in a form different from the expected form may assist the practitioner in mitigating unconscious biases that may impede the practitioner's exercise of professional skepticism. In addition, receiving information in a form different from that expected may also be relevant to the practitioner's evaluation of the reliability of that information.

A78. Information intended to be used as evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information (for example, due to hospital patient confidentiality), or due to war, civil unrest, or outbreaks of disease. In some cases, the practitioner may be able to overcome restrictions on access to information. In particular, the practitioner may request management or those charged with governance to assist in requesting information from a source when contractual obligations exist between an information source and the entity. For example, this may be possible when the reporting entity has a direct business relationship with a value chain entity, such as a large supplier or customer. The practitioner may also consider whether it is possible to visit a location to inspect information that is available but cannot be transferred outside of a jurisdiction.

A79. As explained in paragraph A71, there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control. In these circumstances, the criteria may provide certain relief provisions for management (for example, the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). Regardless of any limitations on management's ability to obtain information from such value chain entities, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management. Paragraph A92 describes procedures that may be considered by the practitioner in these circumstances, including testing management's process for obtaining such information.

A80. The practitioner may be unable to obtain sufficient appropriate evidence if the practitioner determines that it is not practicable to obtain information intended to be used as evidence or does not have a sufficient basis to evaluate the relevance and reliability of the information (for example, from an external source). In some circumstances, the practitioner may be able to obtain sufficient appropriate evidence through alternative procedures. An inability to obtain sufficient appropriate evidence requires the practitioner to express a qualified conclusion or disclaim a conclusion on the sustainability information, or withdraw from the engagement, if withdrawal is practicable, in accordance with proposed AT-C section 210.[54]

A81. In some circumstances, specialized skills or knowledge may be needed to understand or interpret the information to be used as evidence, for example, emissions data from downstream or upstream entities, water quality, or biodiversity measurements. Accordingly, the practitioner may consider using a practitioner's specialist to assist in understanding or interpreting the

[54] Paragraph .88 of proposed AT-C section 210.

information to be used as evidence if the engagement team does not have the appropriate competence and capabilities to do so.

Sources of Information to Be Used as Evidence

Sources of Information (Ref: par. 43)

A82. The source of information to be used as evidence often affects the consideration of its relevance and reliability, including whether the information is available, accessible, and understandable. Information to be used as evidence may be obtained directly or derived individually or in combination from different sources, including management, external information sources, and other external parties or the practitioner. For example, information may come from the following sources:

- *Management.* Information to be used as evidence may be obtained from
  - — the entity's records, management, or other sources internal to the entity.
  - — other entities within the entity's control.
  - — a management's specialist.
- *External information sources and other external parties.* Information to be used as evidence may be obtained from
  - — entities in the value chain. For value chain information, the framework criteria may recognize that management's ability to access information directly from value chain entities outside of the entity's control may be limited and therefore may include provisions that take into account the impact of such limitations on the responsibilities of management. For example, the framework criteria may permit management to use reasonable and supportable information (such as publicly available sector-average data) when management is unable to obtain information from the value chain entity after making reasonable efforts to do so. (See also paragraph A36 regarding the impact on the practitioner's work.)
  - — independent sources external to the entity, other than a management's or practitioner's specialist, that provide information, such as the entity's legal counsel, customers, suppliers, governmental agencies, banks, or general data providers (for example, entities providing macroeconomic, industry, or social data).
  - — an other practitioner, which may include a practitioner engaged by an entity to provide a one-to-many report.
  - — a service organization.
- *The practitioner.* Information to be used as evidence may be obtained using
  - — engagement resources.
  - — a practitioner's specialist. (See paragraph A43.)

Using the Work of the Internal Audit Function (Ref: par. 45)

A83. Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it is performed by the entity or a third-party service provider are sole determinants of whether the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section of this proposed SSAE to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.

A84. 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.

A85. The practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of internal auditors on the engagement. The objectivity and competence of internal auditors are important in determining whether to use their work and, if the practitioner decides to use their work, the nature and extent of the use of their work. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for a low degree of objectivity. Additionally, neither a high level of competence nor strong support for the objectivity of the internal auditors compensates for the lack of a systematic and disciplined approach when using the work of the internal audit function.

Using Information Reported on by an Other Individual (Ref: par. 49)

An Other Individual, Including an Other Practitioner, and the Accompanying Report

A86. It is a matter of professional judgment, particularly in view of the assessed risks of material misstatement of the subject matter information of the practitioner's review engagement, whether information to be used as evidence that was reported by an other individual, including the accompanying other individual's report, is adequate for the practitioner's purposes. In making this determination, the practitioner may consider the following:

- The professional competence and independence of the other individual
- The adequacy of the standards under which the other individual's report was issued

A87. To evaluate the information reported on by the other individual to be used as evidence, the practitioner obtains and reads the information that was reported on, including the other individual's report. The practitioner may also perform additional procedures such as the following:

- Evaluating information regarding the professional reputation and standing of the other individual
- Interacting with the other individual
- Discussing the procedures performed by the other individual and the results thereof
- Reviewing the engagement plan and documentation of work performed by the other individual
- Making inquiries of the responsible party about the subject matter information reported on by the other individual

A88. The work of an other individual includes work that is performed as part of a separate engagement in accordance with a set of recognized standards that enable the individual to design and perform procedures aimed at gathering sufficient appropriate evidence to support an opinion or conclusion that the individual provides in a report accompanying the information. This work may have been performed by an other practitioner (that is, a CPA) in accordance with the attestation standards as part of an attestation engagement. Alternately, this work may have been performed by an other individual, who may or may not be a professional accountant, and who may perform an engagement in accordance with a different set of recognized standards that enable the individual to design and perform procedures aimed at gathering sufficient appropriate evidence to support an opinion or conclusion that the individual provides in a report accompanying the information.

A89. Examples of work performed by an other individual, including an other practitioner, (with an accompanying report) include the following:

- A CPA performs an attestation engagement on the sustainability information in accordance with the attestation standards or also in accordance with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements.*
- A service auditor performs an examination engagement of controls at a service organization in accordance with the attestation standards.
- A firm engaged in public accounting in a jurisdiction other than the United States of America issues an assurance report in accordance with ISSA 5000.
- A firm specializing in sustainability matters that is not a public accounting firm provides independent assurance on sustainability information using another set of recognized assurance standards.
- An accountant in a jurisdiction other than the United States of America issues an assurance report on sustainability information prepared by a value chain entity, in accordance with assurance guidelines published by a regulatory body, such as those issued by the European Commission.

- An engineering firm issues a verification report on sustainability information prepared by a value chain entity, in accordance with industry-developed standards and guidelines.

A90. An other individual may issue a document on sustainability information without having performed procedures aimed at gathering sufficient appropriate evidence to support an opinion or conclusion and without expressing an opinion or conclusion in an accompanying report. For example, a consultant might issue a document on sustainability information for a value chain entity. Although the document may be called a “report,” the engagement was not performed in accordance with a recognized set of standards, and there is no accompanying report expressing an opinion or conclusion. The requirements relating to information to be used as evidence are applicable to such documents, not the requirements relating to information reported on by an other individual.

Value Chain Components and One-to-Many Reports

A91. If the practitioner plans to use a one-to-many report as evidence, factors to consider in making the evaluation in accordance with paragraph 49 include the following:

- Whether the description of the procedures performed and the results thereof are appropriate for the practitioner’s purposes
- The professional competence and independence of the other individual
- The adequacy of the standards under which the report was issued

A92. In limited circumstances, the practitioner may be able to be sufficiently and appropriately involved in the work of another firm at a value chain component, in which case the other firm may be a participating practitioner. For example, the reporting entity may have a direct business relationship with a supplier that allows management to arrange for the practitioner to obtain access to information at that entity or access to the firm that has performed work on that information. Proposed AT-C section 105[55] addresses using the work of participating practitioners.

Risk Assessment Procedures

Designing and Performing Risk Assessment Procedures (Ref: par. 53)

A93. Risk assessment procedures are part of an iterative and dynamic process. Initial expectations may be developed about risks of material misstatement, which may be further refined as the practitioner progresses through the engagement or if new information is obtained. Risk assessment procedures by themselves do not provide sufficient appropriate evidence on which to base the practitioner’s conclusion.

A94. The nature and extent of risk assessment procedures will vary based on whether the engagement is a review or examination, the nature and circumstances of the entity (for example, the formality of the entity’s policies or procedures and processes and systems), the nature and complexity of the sustainability matters, and the characteristics of the events or conditions that could give rise to material misstatements. The practitioner uses professional judgment to

[55] Paragraph .45 of proposed AT-C section 105.

determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this section of this proposed SSAE as appropriate to the level of assurance to be obtained. The depth of understanding that is required by the practitioner is less than that possessed by management in managing the entity and is less for a review engagement than for an examination engagement.

A95. Risk assessment procedures a practitioner may perform include the following:

- Inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who, in the practitioner's judgment, may have information that is likely to assist in identifying and assessing risks of material misstatement, whether due to fraud or error
- Analytical procedures
- Observation and inspection

A96. Analytical procedures may be used as risk assessment procedures to help identify inconsistencies, unusual events or conditions, and amounts, ratios, and trends that indicate matters that may have implications for the engagement. Unusual or unexpected relationships that are identified may assist the practitioner in identifying risks of material misstatement, including risks of material misstatement due to fraud.

Determining the Suitability of the Criteria (Ref: par. 56)

A97. Determining the suitability of the criteria during the review engagement builds on the preliminary knowledge obtained and discussion with management in determining the criteria's suitability prior to acceptance or continuance of the engagement. The practitioner's risk assessment procedures are different in nature and extent from the procedures that may be sufficient for acceptance or continuance of the review engagement.

A98. If the criteria comprise framework criteria that are presumed to be suitable, it may be sufficient for the practitioner to determine that the entity has applied such criteria in preparing the sustainability information. In other circumstances, the practitioner may consider whether the evaluation of the criteria at the acceptance and continuance stage remains appropriate for the purposes of the practitioner's risk assessment procedures. If the practitioner's evaluation of the criteria is no longer appropriate, a more detailed determination of the suitability of the criteria is required in accordance with paragraph 56. This may be the case, for example, if entity-developed criteria are available only after the engagement is accepted, or if the entity applies criteria in preparing the sustainability information that differ from what the practitioner anticipated prior to acceptance or continuance of the engagement. This may be due to a range of factors, for example, the following:

- The criteria initially identified are no longer suitable for the entity's circumstances.
- There are changes in comparable industry practice.
- New or revised criteria become available.
- The entity applies more precise criteria.

- The framework criteria are insufficiently specific, necessitating entity-developed criteria to be developed, for example, when the entity voluntarily discloses prior-period comparative information.
- The entity-developed criteria are insufficiently specific, necessitating the entity to supplement them (see paragraph A99).

A99. Framework criteria may be considered not suitable on their own. For example, they may be subject to interpretation in application, or they may be incomplete. The process of developing the criteria and applying them to the sustainability matters may be complex, require judgment, and may be susceptible to bias. The determination required by paragraph 56 may result in the practitioner identifying disclosures where there is an increased susceptibility to misstatement or cause the practitioner to reevaluate the suitability of the criteria.

A100. Understanding the process for identifying or developing and applying the criteria, including the entity's process to identify sustainability information to be reported, may also help the practitioner determine the suitability of the criteria, including whether the criteria

- address the purpose of the sustainability information.
- are transparent.
- involve engagement with intended users or their representatives in identifying their information needs for decision-making.
- address how the criteria are applied in the entity's circumstances, including the selection and application of reporting policies consistent with the applicable criteria.
- provide appropriate reasons for using the criteria.
- consider if the criteria are appropriately specific regarding how the sustainability matters should be measured or evaluated.

A101. In some circumstances, the practitioner may determine that the criteria for qualitative information are unsuitable. For example, not all the characteristics for suitable criteria are exhibited because the criteria lack specificity, or criteria for the qualitative information do not exist. In such circumstances, the practitioner may consider

- requesting that the entity develop suitable criteria.
- requesting that the entity not report the information that would result from applying the unsuitable criteria, but if the entity decides to report that information, clearly identifying the information as other information that is not within the scope of the attestation engagement.
- whether the information may be misleading and the impact on acceptance and continuance of the engagement.
- the impact on the practitioner's conclusion.

Specific Considerations for Determining the Suitability of Criteria for Performance

A102. In evaluating whether the criteria to evaluate the entity's performance are suitable, the practitioner may consider whether the criteria encompass

- measures or benchmarks used to set the targets, key performance indicators, commitments, or other goals against which performance is to be measured; and
- methods of measurement or evaluation of the entity's performance.

Specific Considerations for Determining the Suitability of Criteria for Forward-Looking Sustainability Information

A103. In evaluating whether the criteria to be applied in preparing the entity's forward-looking information are suitable, the practitioner may consider whether the criteria encompass

- the basis of the assumptions to be made and the nature, sources, and extent of uncertainty inherent in those assumptions; and
- the measurement or evaluation methods to be used for the forward-looking sustainability information to be prepared on the basis of the assumptions in the preceding bullet.

Characteristics of Suitable Criteria

A104. Proposed AT-C section 105[56] states that suitable criteria exhibit the characteristics of relevance, objectivity, measurability, and completeness.

Relevance of the Criteria

A105. In evaluating whether the criteria are relevant, the practitioner may consider whether the criteria

- result in sustainability information that assists decision-making by the intended users.
- were developed through a process, by the entity or an external party, that focused on identifying or evaluating whether the sustainability information assists decision-making by the intended users, including the general types of decisions that intended users are expected to make based on the purpose of the sustainability information.
- address the inherent level of measurement or evaluation uncertainty in applying the criteria in the circumstances of the engagement, including whether the sustainability information that is subject to high inherent measurement or evaluation uncertainty will be accompanied by disclosures that make the nature and extent of the uncertainty clear.
- specify the level of disaggregation or aggregation of the information or include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.

[56] Paragraph .A58 of proposed AT-C section 105.

- are consistent with those generally recognized to be appropriate in the context of the entity's industry or sector or whether there are justifiable reasons not to use such criteria (for example, the entity develops more relevant criteria).
- permit omissions of sustainability disclosures only in circumstances in which it is appropriate to do so. For example, the criteria may allow the entity to exclude certain disclosures if
  - — the reporting processes have not yet fully matured, such that the information is incomplete or unavailable, and the criteria require the entity to disclose this fact and its reasons for omitting the disclosures.
  - — a disclosure is not applicable to the entity's circumstances.
  - — there are legal constraints preventing the disclosure.
  - — in extremely rare circumstances, the sustainability information is confidential, or the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of doing so, such as information that might prejudice an investigation into an actual, or suspected, illegal act.
- are specific to the topics and aspects of the topics that will result in information that assists decision-making by the intended users, such as whether the criteria for
  - — processes, systems, or controls include, for example, control objectives to evaluate the effectiveness of their design.
  - — performance include the targets, key performance indicators, commitments, or goals against which performance is measured and methods of measurement or evaluation of that performance.
  - — forward-looking information include the basis for evaluating the reasonableness of the underlying assumptions and methods of preparation based on those assumptions.
  - — historical information include methods of measurement or evaluation of the entity's activities.

A106. Relevant criteria that assist the decision-making of intended users may relate to

- either
  - — the material impacts of ESG matters on the entity's strategy, business model, and performance, which may be referred to as "financial materiality"; or
  - — the material impacts of the entity's activities, products, and services on the environment, society, or the economy, which may be referred to as "impact materiality."
- double materiality, that is, both financial materiality and impact materiality.

Objectivity of the Criteria

A107. In evaluating whether the criteria are objective, the practitioner may consider whether the criteria

- require a balanced disclosure of both favorable and unfavorable information and are not subject to management bias by excluding any topics or aspects of topics only on the basis that they may reflect poorly on the entity.
- do not result in information that is misleading to the intended users in the interpretation of the sustainability information.

- are consistent between reporting periods, unless there is a reasonable basis for the change.
- address how the information is presented and disclosed, to reduce the opportunity for management bias.

A108. When the criteria are not consistent with previous reporting periods, the practitioner may consider whether

- the entity has a reasonable basis for the change; for example, the entity may be developing and improving its process to prepare the sustainability information, and the entity-developed criteria may have been changed to reflect more appropriate or modern approaches, data, or methods.
- the basis for the change is sufficiently disclosed and explained in the sustainability information.
- the criteria are different from those commonly used in the entity's industry or sector, as this may be an indicator of management bias.
- the change results in information that is always positive; for example, management changes the criteria year on year so that the outcome looks more positive.

A109. Additional considerations in evaluating whether the criteria are objective include whether the criteria

- are clear and unambiguous.
- will enable the intended users to readily identify the main points being made and to appropriately infer whether those points affect their decision-making.
- will result in a presentation that does not obscure relevant information.
- will result in clear presentation of the sustainability information in a way that effectively summarizes and draws attention to key features of the information reported.
- will result in the sustainability information being coherent, easy to follow, clear, and logical.
- will result in sustainability information that can be readily located. (For example, the information may be difficult to locate if it is spread across different reports, webpages, or included by reference.)
- will result in sustainability information that is appropriately balanced between conciseness (to be understandable) and relevance.
- will result in logical and comparable time periods, whether those be
  - — a point in time (for example, for description or implementation of a process not covering the period).
  - — periods that have ended (for example, for historical information).
  - — periods that end in the future (for example, for strategy, targets, or commitments).

Measurability of the Criteria

A110. In evaluating whether the criteria are measurable, the practitioner may consider

- whether the measurement or evaluation of the sustainability matters can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances.
- whether the criteria are based on definitions with little or no ambiguity.
- whether applying the criteria allows for reasonably consistent measurement or evaluation of the sustainability matters when used in similar circumstances by different parties.
- the sources of the criteria and the process used to develop them.

Completeness of the Criteria

A111. Proposed AT-C section 105[57] states that criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. In evaluating the completeness of the criteria, including entity-developed criteria to supplement any framework criteria used, the practitioner may consider whether the criteria address

- topics or aspects of topics that could reasonably be expected to affect decisions of intended users or that cannot be as readily measured or evaluated as other topics or aspects of topics.
- the basis for significant judgments in preparing the sustainability information.
- the source of significant inherent uncertainties in applying the criteria.
- the reporting boundary.

Understanding the Entity's Reporting Policies (Ref: par. 57)

A112. The criteria need to encompass sufficient principles as the basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the criteria, as explained in paragraph A3. If the existing criteria do not provide sufficient principles for the entity to select and apply reporting policies, criteria from another framework may need to be identified or entity-developed criteria may need to be developed. Matters that the practitioner may consider when obtaining an understanding of the entity's selection and application of reporting policies, including any changes and the reasons for those changes, may include the following:

- Reporting policies used by similar entities, such as those in the same industry or jurisdiction
- The methods the entity uses to recognize, measure, present, and disclose significant sustainability information or to address unusual or exceptional circumstances
- The effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus
- Changes in the environment, such as changes in the criteria, law or regulation, or accepted interpretation of the criteria that may necessitate a change in the entity's reporting policies

[57] Paragraph .A58 of proposed AT-C section 105.

- Criteria and laws or regulations that are new to the entity and when and how the entity will adopt, or comply with, such requirements

Understanding the Entity and Its Environment

*Understanding the Entity's Operations, Legal and Organizational Structure, Ownership and Governance, and Business Model (Ref: par. 58*a*)*

A113. The practitioner uses professional judgment to determine the characteristics of the entity and its environment that are relevant to the sustainability information and therefore are necessary to understand. The practitioner's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective of the risk assessment procedures. The practitioner's understanding may involve less effort when the scope of the attestation engagement is limited to certain sustainability information (for example, discrete metrics). On the other hand, a broader understanding of the entity and its environment may be necessary if the scope of the attestation engagement addresses multiple topics or aspects of the topics. Similarly, the depth of understanding of the entity and its environment necessary for a review engagement may be less than the depth of understanding necessary in an examination engagement.

A114. The practitioner's understanding of the entity and its environment may include an understanding of the following:

- The nature of the entity and its sustainability-related business risks, including
  - —the nature of the operations included in the reporting boundary, including
    - o whether the activities or operations within the reporting boundary are internal or external to the entity;
    - o the contribution of each activity or operation to the sustainability information, including entities or operations within the value chain, if material to the sustainability information; and
    - o the uncertainties associated with the quantities reported in the sustainability information
  - —changes from the prior period in the nature of the entity, its business risks, or the reporting boundary, including whether there have been any mergers, acquisitions, disposals, or outsourcing of functions
  - —the frequency and nature of interruptions to operations
- The maturity of the processes and controls over sustainability information and the extent to which they integrate the use of IT

*Understanding the Reporting Boundary (Ref: par. 58*b*)*

A115. Understanding the reporting boundary may require the analysis of complex organizational structures (for example, multiple operating units in different jurisdictions), contractual relationships, and activities within the entity's value chain. The way operations are organized may also have implications for the reporting boundary. For example, a facility may be owned by one party, operated by another, and process materials solely for a third party, but the sustainability activities of all three entities may be within the reporting boundary. Understanding activities within the reporting boundary helps the practitioner do the following:

- Understand whether the disclosures are affected by complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud.
- Identify disclosures for which it may be necessary to use the work of others to obtain sufficient appropriate evidence.
- Identify the members of the engagement team and other parties with whom the engagement partner discusses the susceptibility of disclosures to material misstatements whether due to fraud or error.
- Consider or determine an appropriate materiality for the applicable disclosures.
- Determine the nature, timing, and extent of further procedures.
- Identify disclosures for which it may be difficult to obtain sufficient appropriate evidence and, as a result, the implications for the practitioner's report.

Understanding the Entity's Goals, Targets, or Strategic Objectives (Ref: par. 58*c*)

A116. Understanding goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

Understanding the Legal and Regulatory Framework (Ref: par. 59)

A117. The effect on the sustainability information of laws or regulations will vary. Those laws or regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations may have a direct effect on the sustainability information, in that they may determine the criteria to be applied or specify disclosures required to be included in an entity's sustainability information.

A118. Other laws or regulations may not have a direct effect on the determination of the disclosures in the sustainability information, but compliance with them may be fundamental to the operating aspects of the business. Noncompliance with laws or regulations that have a fundamental effect on the operations of the entity may have consequences for the entity's disclosures.

A119. To obtain an understanding of the legal and regulatory framework, and how the entity complies with that framework, the practitioner may, for example, do the following:

- Use the practitioner's existing understanding of the entity's industry, regulatory, and other external factors.
- Update the understanding of those laws or regulations that establish criteria, frameworks, standards, or guidance.
- Inquire of management regarding other laws or regulations that may be expected to have a fundamental effect on the operations of the entity.
- Inquire of management concerning the entity's policies or procedures regarding compliance with laws or regulations.

Fraud or Noncompliance With Laws or Regulations Affecting Sustainability Matters and Sustainability Information

A120. The responses from these inquiries may also provide information regarding the possibility of management override of controls.

Understanding the Components of the Entity's System of Internal Control (Ref: par. 61)

A121. Understanding components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information assists the practitioner in identifying the types of misstatements that may occur and factors that affect risks of material misstatement in the disclosures. *Achieving Effective Internal Control Over Sustainability Reporting (ICSR): Building Trust and Confidence Through the COSO* Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, discusses how the components of an internal control system may be applied to sustainability information reporting and may be a helpful resource for practitioners in understanding the entity's system of internal control.

A122. The practitioner's understanding of the relevant components of the entity's system of internal control may raise doubts about the practitioner's ability to obtain sufficient appropriate evidence on which to base the practitioner's conclusion or may indicate a need to withdraw from the engagement, if withdrawal is practicable. For example,

- concerns about the integrity of those preparing the sustainability information may be so serious as to cause the practitioner to conclude that the engagement cannot be conducted.
- concerns about the competence of management and the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information.

The Control Environment (Ref: par. 62)

A123. The practitioner's understanding of the control environment, such as how the entity demonstrates behavior consistent with the entity's commitment to integrity and ethical values, may assist the practitioner in identifying risks of material misstatement. For example, deficiencies in the control environment may result in risks of material misstatement in disclosures throughout the sustainability information.

A124. The practitioner's understanding of the control environment may include understanding the controls, processes, and structures that address

- how management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values.
- when those charged with governance are separate from management, the independence of, and oversight over, the entity's system of internal control by those charged with governance.
- the entity's assignment of authority and responsibility.
- how the entity attracts, develops, and retains competent individuals.

- how the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the entity's system of internal control.

Scalability

A125. Information about the control environment in less complex entities might not be available in documentary form, in particular, when communication between management and other personnel is informal, but the information may still be appropriately relevant and reliable in the circumstances. For example, the practitioner may observe the entity's past and current practices and engagement with stakeholders. Such observations may contribute to the practitioner's understanding of the components of the entity's system of internal control, even if policies have not been documented formally.

The Entity's Risk Assessment Process (Ref: par. 63)

A126. Understanding the results of the entity's risk assessment process may assist the practitioner in

- identifying and assessing risks of material misstatement in the disclosures; and
- obtaining an understanding of sustainability matters and other engagement circumstances.

A127. In some cases, the criteria may require the entity to identify and provide information about sustainability-related risks and opportunities, or the processes by which sustainability-related risks and opportunities are identified, assessed, and managed. Therefore, understanding the results of the entity's risk assessment process may also assist the practitioner in identifying and assessing risks of material misstatement related to the appropriate application of the criteria by the entity. For example, if the practitioner identifies potential deficiencies in the entity's risk assessment process, the practitioner may determine that there is a heightened risk that sustainability matters required to be reported in accordance with the criteria may not have been identified by the entity and, therefore, the presentation or description of such matters in the sustainability information may be incomplete.

A128. If the practitioner identifies risks that the entity failed to identify, and those risks are of the kind that the practitioner expects would have been identified by the entity's risk assessment process, it may be an indicator that the entity's risk assessment process is not appropriate to the entity's circumstances.

The Entity's Process for Monitoring the System of Internal Control (Ref: par. 64)

A129. Understanding the results of the entity's process for monitoring the system of internal control may assist the practitioner in

- identifying and assessing risks of material misstatement in the disclosures;
- obtaining an understanding of the sustainability matters and other engagement

circumstances; and
- determining whether to obtain evidence from testing controls.

A130. Understanding the results of the entity's process for monitoring the system of internal control may provide information about deficiencies in controls; however, the absence of results of the entity's process for monitoring the system of internal control does not necessarily indicate that controls are operating effectively. The absence of results may be indicative of an ineffective process for monitoring the system of internal control.

The Information System and Communication (Ref: par. 65)

A131. The practitioner uses professional judgment to determine which aspects of the information system are relevant to the sustainability matters and the preparation of the sustainability information and may make inquiries of management about those aspects and perform other procedures, as necessary.

A132. The understanding of the information system may include an understanding of the entity's information-processing activities, its data and information, the resources to be used in such activities, and the policies or procedures that define, for the sustainability information, the following:

- How data and information, including qualitative information, are captured, recorded, processed, reviewed, corrected, and presented, including whether, and if so, how, the entity centralizes activities relevant to sustainability reporting. Such policies or procedures may include internal verification processes whereby the data and information are checked by a reviewer for accuracy and completeness and signed off to evidence that the review has taken place.
- Supporting records and other relevant information about the sustainability matters relating to the flow of information in the information system.
- The processes used to prepare the sustainability information, including the aggregation process used, including, if any, aggregation adjustments.

A133. The practitioner's understanding of the information system may be obtained in various ways and may include
- inquiries of relevant personnel about the procedures used to initiate, record, process, and report events and conditions related to the topics and aspects of the topics;
- inspection of policy or process manuals or other documentation of the information system;
- observation of the performance of the policies or procedures by the entity's personnel; or
- selecting events or conditions and tracing them through the applicable process in the information system (that is, performing a walk-through).

A134. The entity's information system and communication are likely to involve the use of IT to collect or process data and information. Entities may use complex IT applications, simple spreadsheets, or paper-based records, or a combination of these. The information system includes the IT environment, IT applications, and other aspects of the IT environment that are relevant to the flows and processing of information in the information system. The entity's use of IT applications or other aspects of the IT environment may give rise to risks arising from the use of IT. For example, changes in the flow of information within the information system may result from program changes to IT applications or direct changes to data in databases involved in processing or storing that information.

Scalability

A135. The information system and how the entity communicates in smaller or less complex entities are likely to be less sophisticated and are likely to involve a less complex IT environment than in larger and more complex entities. Less complex entities with direct management involvement may not need extensive descriptions of procedures, sophisticated records, or written policies. Understanding the relevant aspects of the entity's information system may therefore require less effort in an engagement for a less complex entity and may involve a greater amount of inquiry than observation or inspection of documentation. The need to obtain an understanding, however, remains important to provide a basis for the design of further procedures and may further assist the practitioner in identifying and assessing risks of material misstatement.

Understanding the Entity's Process to Identify Sustainability Information to Be Reported (Ref: par. 65*a*)

A136. The practitioner may consider whether the entity's process to identify sustainability information to be reported includes the following:

- Identification of, or engagement with, the intended users, or the stakeholders they represent, to determine their information needs
- The entity's selection or development of suitable criteria, which provides the basis for the identification of sustainability information to be reported prior to the consideration of materiality
- The appropriate application of the criteria to identify sustainability information to be reported, including the identification of topics, aspects of topics, and reporting boundary
- Filtering of the sustainability information to select material information to be reported

A137. If the entity does not have a suitable process to identify sustainability information to be reported, then the topics or aspects of topics selected may be incomplete or include sustainability information that is not relevant or that obscures material sustainability information. Because the entity's process includes management judgment, there is risk of management bias when identifying the sustainability information to be reported. The greater the degree to which the sustainability reporting framework or law or regulation specifies in detail the sustainability information to be reported, the lower the risk of material misstatement may be as there is less opportunity for management bias.

A138. The extent of the practitioner's work effort in obtaining an understanding of the entity's process to identify sustainability information to be reported will depend on the nature and circumstances of the engagement. For some engagements, the sustainability reporting framework or law or regulation may specify sustainability information to be reported, and the procedures may be limited to identifying those requirements and understanding whether the sustainability information required to be reported is included in the sustainability information. In other engagements, the framework criteria or entity-developed criteria may not specify the sustainability information, or may specify only certain sustainability information to be reported and may set out the process the entity is required to follow to identify the sustainability information, or additional sustainability information to be reported. Alternatively, the entity may need to develop its own criteria for that process. In these circumstances, the entity's process is likely to be more complex and is likely to affect the nature and extent of the practitioner's procedures.

Understanding How Information From External Sources Is Recorded, Processed, Corrected, and Incorporated (Ref: par. 65*b*)

A139. The understanding of how information from external sources is recorded, processed, corrected as necessary, and incorporated into the sustainability information may also include an understanding of the following:

- The nature and significance of the data or information provided by external sources
- How the entity addresses the reliability of information from external sources, for example, by
  - — monitoring information provided to, and received back from, the external source;
  - — considering the reputation of the external source; and
  - — considering whether there are other sources of similar information, and whether the information from different available sources is aligned

Evaluating the Information System to Support the Preparation of the Sustainability Information (Ref: par. 66)

A140. The understanding of the information system may also include an understanding of how the entity communicates significant matters that support the preparation of the sustainability information and related reporting responsibilities in the information system and other components of the entity's system of internal control. This may include understanding communication

- between people within the entity, including how roles and responsibilities are communicated.
- between management and those charged with governance.
- with intended users.
- with external parties, such as regulatory authorities.

Control Activities (Ref: par. 67)

A141. Complementary user entity controls are controls that the party responsible for an organization (or segment of an organization) that provides services to user entities assumes, in the design of its system, will be implemented by user entities and are necessary to achieve the control objectives or service commitments and system requirements stated in the description of that organization's system prepared by the party responsible for that organization. Depending on the nature of the information that is the subject of the report of an other practitioner, that report may identify complementary user entity controls that, if relevant to the user entity, may need to be designed and implemented by the user entity to have an appropriate basis for using the information obtained in preparing the subject matter information.

A142. The practitioner's identification and evaluation of controls in the control activities component of the entity's system of internal control may focus on information-processing controls, which are controls applied during the processing of information in the entity's information system that directly address risks to the integrity of information (that is, the completeness, accuracy, and validity of information). However, the practitioner is not required to identify and evaluate all information-processing controls.

A143. An attestation engagement does not require an understanding of all the controls related to each disclosure or to every assertion relevant to them.

A144. Examples of other controls for which it may be appropriate for the practitioner to obtain an understanding include the following:

- Controls that address risks of material misstatement assessed as high due to the likelihood and magnitude of misstatement
- Controls that are related to the assembly of, or adjustments to, the sustainability information
- If the entity uses a service organization, controls at the entity that relate to the services provided by the service organization

A145. Identifying IT applications and other aspects of the IT environment, related risks arising from the use of IT, and general IT controls in place to address those risks affects the practitioner's decisions on testing controls, assessing risks of material misstatement, testing information produced by IT applications, and designing further procedures.

A146. In identifying IT applications subject to risks arising from IT, the practitioner may consider the entity's automated controls, information storage and processing, and reliance on general IT controls. The extent of understanding and the number of applications subject to risks arising from the use of IT vary based on the entity's complexity. When the practitioner has identified IT applications that are subject to risks arising from IT, other aspects of the IT environment (for example network, operating systems, databases, and interfaces between IT applications) are likely to be identified because such aspects support and interact with the identified IT applications.

A147. Risks arising from IT may include unauthorized access, program changes, and inappropriate data changes, and their extent depends on the nature and characteristics of the IT applications and environment.

Design and Implementation of Controls (Ref: par. 68*b*)

A148. Evaluating the design of an identified control involves the practitioner's consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements (that is, the control objective).

A149. The practitioner determines the implementation of an identified control by establishing that the control exists and that the entity is using it. There is little point in the practitioner assessing the implementation of a control that is not designed effectively. Therefore, the practitioner evaluates the design of a control first. An improperly designed control may represent a control deficiency.

A150. The practitioner may conclude that a control that is effectively designed and implemented may be appropriate to test in order to take its operating effectiveness into account in determining the nature, timing, and extent of further procedures. However, when a control is not designed or implemented effectively, there is no benefit in testing it.

A151. When the practitioner plans to test the operating effectiveness of a control, the information obtained about the extent to which the control addresses the risks of material misstatement is an input to the practitioner's risk assessment.

A152. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, the practitioner may plan to test the operating effectiveness of automated controls by identifying and testing general IT controls that provide for the consistent operation of the automated controls instead of testing the operating effectiveness of the automated controls directly. General IT controls that are not able to be reconfigured or changed by management provide for the consistent operation of an automated control.

Identifying Control Deficiencies (Ref: par. 69)

A153. If deficiencies are identified related to the control environment, this may affect the practitioner's overall expectations about the operating effectiveness of controls and, therefore, the practitioner's plans to test the operating effectiveness of controls.

A154. When understanding the components of the entity's system of internal control, the practitioner may determine that certain of the entity's policies are not appropriate to the nature and circumstances of the entity. Such a determination may be an indicator that control deficiencies exist. The practitioner may consider the effect of those control deficiencies on the design of further procedures and whether to communicate the deficiencies to management or those charged with governance.

A155. Circumstances that may indicate that control deficiencies exist include matters such as the identification of the following:

- Fraud of any magnitude that involves senior management
- Deficiencies in the control environment
- Risks of material misstatement that were not identified by the entity's risk assessment process

- The omission of sustainability matters from the sustainability information that are required to be reported by the criteria and that are material, when those sustainability matters were not identified by the entity's process to identify sustainability information to be reported
- The inclusion of immaterial sustainability matters that obscure sustainability matters to be reported within the sustainability information

A156. If the practitioner's evaluation of the entity's control environment or other components of internal control raises doubts about the ability to obtain evidence on which to base the practitioner's conclusion, the practitioner may

- perform additional risk assessment procedures until evidence has been obtained to alleviate the practitioner's doubts.
- withdraw from the engagement when permitted by law or regulation.
- consider the implications for the practitioner's report.

Identifying and Assessing the Risks of Material Misstatement (Ref: par. 70)

A157. Identifying and assessing the risks of material misstatement involves professional judgment based on the practitioner's understanding of the sustainability matters and the sustainability information and the entity and its environment.

A158. Identifying and assessing the risks of material misstatement also involves the practitioner considering the potential for a misstatement occurring (that is, its likelihood) and being material if it were to occur (that is, whether the potential misstatement is of a magnitude or severity that could reasonably be expected to influence the decisions of users).

A159. The identification and assessment of the risks of material misstatement at the disclosure level in a review engagement is less extensive than for an examination engagement. This is the case because

- the breadth and depth of the practitioner's understanding that forms the basis for risk identification and assessment is different because the risk assessment procedures in a review engagement vary in nature and timing from, and are less in extent than for, an examination engagement.
- the practitioner is not required to identify and assess risks of material misstatement at the underlying assertion level in a review engagement.
- the level of assurance obtained in a review engagement is substantially lower than the assurance obtained in an examination engagement.

A160. The combination of the likelihood and magnitude of a potential misstatement determines where within the spectrum of risk the identified risk is assessed. Making this assessment informs the practitioner's design of further procedures to address the risk. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk.

A161. The manner in which the practitioner groups the disclosures for purposes of planning and performing the engagement (see paragraphs A54–A56) affects how the practitioner identifies and assesses the risks of material misstatement.

A162. For a review engagement, the practitioner's expectation about a misstatement occurring, and being material if it were to occur, is less specific than for an examination engagement because it is based on more limited information, as explained in paragraph A159. In addition, the practitioner's conclusion in a review engagement is expressed in terms of whether the practitioner is aware of any material modifications that should be made to the sustainability information in order for it to be in accordance with the criteria. Therefore, for a review engagement, if in the course of performing procedures to respond to the assessed risks, matters come to the practitioner's attention that indicate the sustainability information may be materially misstated, paragraph 87 requires the practitioner to perform additional procedures.

A163. In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and quantitative aspects of the possible misstatement (that is, misstatements in a disclosure may be judged to be material due to size, nature, or circumstances). The qualitative and quantitative factors in paragraphs A61 and A62, respectively, may be helpful in this regard.

A164. The practitioner's consideration of the magnitude of a potential misstatement in a qualitative disclosure may depend on the importance of that disclosure to the intended users. For example, intended users may place more importance on the entity's efforts to reduce carbon emissions than its efforts to enhance community engagement. Therefore, intended users may have a lower tolerance for a misstatement of disclosures about efforts to reduce carbon emissions than a misstatement of disclosures about efforts to enhance community engagement.

A165. Examples of a practitioner's consideration of the magnitude of a potential misstatement in a qualitative disclosure include the following:

- The practitioner may identify and assess a risk of misstatement in an entity's disclosure that its efforts to reduce carbon emissions include enhancing its carbon capture and storage capacities and that describes its plans to acquire the technology to do so. This identification and assessment may be based on the practitioner's understanding of

    — the pressures the entity faces to reduce carbon emissions to meet regulatory targets; and
    — the fact that acquiring the technology to capture and store carbon likely would be cost prohibitive to the entity.

- Whether the practitioner considers the misstatement material, if it were to occur, depends on the importance that intended users place on the disclosure and the magnitude of misstatement that would influence the decisions of intended users, which may be influenced by factors including the following:

    — Current or past trends in carbon emissions for the entity and the industry
    — Whether the plan to reduce carbon emissions is important to meeting legal or

regulatory emissions targets
- — Whether the plan to enhance carbon capture and storage capacities is the primary approach, or part of a multi-pronged approach, to reducing carbon emissions
- — Whether customers, employees, or investors in the industry place importance on carbon emissions

A166. The sustainability reporting framework may require disclosure of a large number of individual metrics for different sustainability matters. In these circumstances,

- the practitioner may treat a group of metrics as a disclosure for purposes of identifying and assessing the risks of material misstatement (that is, the practitioner need not identify and assess the risk of material misstatement for each individual metric.) This may be the case, for example, if intended users are more likely to focus on the group of metrics rather than individual metrics.
- depending on the facts and circumstances, the practitioner may determine that the risks of material misstatement for certain metrics or groups of metrics are acceptable in the circumstances (that is, the risks are at an acceptable level for the engagement). In these circumstances, the practitioner need not design and perform further procedures.

A167. The attestation engagement (and the practitioner's conclusion) may relate only to certain metrics. In these circumstances, it is more likely that the individual metrics may be of significance to intended users. Therefore, the practitioner would ordinarily identify and assess the risks of material misstatement for each individual metric.

A168. Risks of material misstatement may relate to one or more entities within the reporting boundary. In these circumstances, the practitioner may consider using the work of a participating practitioner to identify and assess the risks of material misstatement. However, the practitioner remains responsible for the identification and assessment of risks of material misstatement of the group sustainability information and for the design and performance of further procedures to respond to the assessed risks.

A169. Although the practitioner is not required to identify and assess risks of material misstatement at the underlying assertion level in a review engagement, the practitioner may choose to use assertions if they are useful in considering the types of potential misstatements that could occur or designing and performing procedures in response to them.

A170. Misstatements may arise as a result of human error, process flaws, management bias, or fraud. Examples of different types of possible misstatements include the following:

- *False claims in information (occurrence and existence, or responsibility assertion).* For example, if an entity claimed responsibility for community investment or environmental cleanup that did not actually occur or was done by another party.
- *Recording information in the incorrect period (cutoff assertion).* For example, recording an entity's water used in the period preceding or following the period in which the water was actually used.
- *Inaccuracies in information (accuracy and valuation assertion).* For example, arising from inaccurately calibrated measuring devices, transposition, or other errors in the recording of

measurements, or use of inappropriate conversion factors, such as use of a carbon dioxide conversion factor for nuclear energy when the entity has coal and oil-fired facilities.

- *Omission of information (completeness assertion).* For example, a company reports on its land rehabilitation program for three of its mining sites but remains silent about two sites where significant degradation has occurred and where there are no plans to rehabilitate the land.
- *Incorrectly classified information (presentation, classification, and understandability assertion).* For example, the entity classifies seasonal contractors (mainly female) as permanent full-time employees, which results in erroneous reporting about gender representation in its permanent workforce.
- *Misleading or unclear representation of information (presentation, classification, and understandability assertion).* For example, the preparer gives undue prominence to favorable information by using large, bold, or brightly colored text and images, or other ways to emphasize the presentation, but presents unfavorable information less conspicuously, for example, by using small or light-colored font and less extensive text.
- *Bias in information that focuses on positive aspects of performance and omits negative aspects (presentation, classification, and understandability assertion).*

Evaluating the Evidence Obtained From the Risk Assessment Procedures (Ref: par. 71)

A171. The practitioner's evaluation of the components of the entity's system of internal control and understanding of controls, along with any control deficiencies identified, may

- influence the identification and assessment of risks of material misstatement for the disclosures; and
- indicate risks of material misstatement that may affect many disclosures and thus may require overall responses in accordance with paragraph 74.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures (Ref: par. 72–73)

A172. Determining the further procedures to be performed on a particular engagement is a matter of professional judgment. Because sustainability information may cover a wide range of circumstances, the nature, timing, and extent of such procedures are likely to vary considerably from engagement to engagement.

A173. Because the level of assurance obtained in a review is substantially lower than in an examination, the procedures the practitioner performs in a review vary in nature and timing from, and are less in extent than for, an examination. The differences between the practitioner's further procedures for an examination and a review of sustainability information may include the following:

- The emphasis placed on the nature of procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular review to place relatively greater emphasis on inquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than may be the case for an examination.

- In a review, the extent of procedures performed compared to those in an examination may involve
  - — if selecting items to test, selecting fewer items;
  - — performing fewer procedures (for example, performing only analytical procedures in circumstances when, in an examination, both analytical procedures and tests of detail would be performed); or
  - — if performing procedures on locations, doing so at fewer facilities.
- In an examination, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a review, analytical procedures may be designed to support expectations regarding the direction of trends, relationships, and ratios rather than to identify misstatements with the level of precision expected in an examination.

In addition, when undertaking analytical procedures in a review, the practitioner may, for example,

- use data that is more highly aggregated, for example, data at a regional level rather than at a facility level, or quarterly data rather than monthly or weekly data.
- use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for an examination.

A174. Examples of reasons for the assessment given to a risk of material misstatement include the following:

- The inherent complexity of the sustainability matter or judgment in its measurement or evaluation. For example, a material misstatement may be more likely to arise in a sustainability disclosure where mass balance calculations are involved than when water consumption is read directly from a meter.
- The complexity of the organization, its ownership and control arrangements, or its geographical spread.
- Systems and processes that are less automated or still developing, such that there may be a greater likelihood of human error, processing flaws, or opportunity for unauthorized intervention.
- Incentives to misstate sustainability information, for example, if a particular target performance has to be met to retain a license to operate or to avoid fines, or to meet stakeholders' expectations.
- Inherent limitations in the capabilities of measuring devices (for example, water meters) or insufficient frequency of their calibration.
- Errors or inappropriate judgments made in measuring, evaluating, or disclosing the sustainability information, including in the assumptions used in making estimates, the use of inaccurate or incomplete base data on which estimates are based, or in circumstances in which complex calculations are involved (for example, when a mass balance approach is used to calculate water abstracted).
- The risk that unidentified aspects of the sustainability matter may be missed, for example, because of events or transactions outside of the normal course of business, because the preparer relies on a third party for information (for example, external meter readers or

engineering firms to calculate water abstracted), or because of undetected water or wastewater leaks or similar.
- How weaknesses in the design of controls or the ineffective operation of controls might give rise to errors, processing flaws, or opportunities for unauthorized intervention.

A175. More persuasive evidence may be needed if the practitioner, through the understanding of the entity and its environment and its system of internal control, has identified matters such as the following:
- A high assessed risk of material misstatement
- An increased focus of intended users on a topic or aspect of a topic
- The lack of a relationship between the sustainability information and other relevant information that precludes the performance of analytical procedures
- A control environment in which the entity does not demonstrate behavior consistent with a commitment to integrity and ethical values
- Risks of material misstatement that have not been identified by the entity's risk assessment process
- Information systems that are not appropriate to the circumstances of the entity
- A lack of maturity in the sustainability matters or the information system used to prepare the sustainability information
- Errors in the sustainability disclosure in the past
- A new area, topic, or aspect of a topic

Overall Responses (Ref: par. 74)

A176. The practitioner may identify circumstances that indicate that overall responses may be needed, such as the following:
- Deficiencies in the control environment may undermine other components of the system of internal control, in particular in relation to fraud. In such cases, material misstatements may occur in any assertion or in multiple assertions.
- There may be incentives for intentional misstatement of the sustainability information; for example, those who are directly involved with, or have the opportunity to influence, the reporting process may have a significant portion of their compensation contingent upon achieving aggressive targets or complying with laws or regulations that have a direct effect on the sustainability information.
- The practitioner may identify an increased risk of material misstatement that is pervasive throughout the sustainability information (that is, not related to one sustainability disclosure or assertion or to a few sustainability disclosures or assertions).

Tests of Controls (Ref. par. 75)

A177. In general, the higher the risk of material misstatement or the greater the reliance on controls, the shorter the time period elapsed since controls were last tested, if any, is likely to be.

Substantive Procedures

Extending the Conclusions of Substantive Procedures Performed at an Interim Date (Ref: par. 82)

A178. In some circumstances, the practitioner may determine that it is effective to perform substantive procedures at an interim date and to compare and reconcile information at the period-end with the comparable information at the interim date to

- identify amounts that appear unusual;
- investigate any such amounts; and
- perform analytical procedures or tests of details to test the intervening period.

A179. Performing substantive procedures at an interim date without undertaking additional procedures at a later date increases the risk that the practitioner will not detect misstatements that may exist at the period-end. This risk increases as the remaining period is lengthened. The practitioner may consider factors such as the following in deciding whether to perform substantive procedures at an interim date:

- The control environment and other relevant controls
- The availability at a later date of information necessary for the practitioner's procedures
- The purpose of the substantive procedure
- The assessed risk of material misstatement
- The nature of the sustainability disclosures and related assertions
- The ability of the practitioner to perform appropriate substantive procedures or substantive procedures combined with tests of controls to cover the remaining period in order to reduce the risk that misstatements that may exist at the period-end will not be detected

Analytical Procedures (Ref: par. 83)

A180. Analytical procedures performed in response to an assessed risk of material misstatement are substantive in nature, and therefore proposed AT-C section 210[58] requires the practitioner to develop an expectation as the basis for evaluating the results of those procedures.

Sampling (Ref: par. 84)

A181. AICPA Audit Guide *Audit Sampling* provides guidance that may be useful to a practitioner who has decided to use sampling in performing attestation procedures.

A182. The selection of a small number of items to confirm the practitioner's understanding of the process or to obtain information in order to design better procedures is not considered sampling.

A183. Because the acceptable level of engagement risk is higher for a review than for an examination, so too may be the level of sampling risk that is acceptable in the case of tests of details. Therefore, when sampling is used in a review engagement, the sample size may be smaller than when used in similar circumstances in an examination engagement.

[58] Paragraph .30*c* of proposed AT-C section 210.

Estimates and Forward-Looking Information (Ref: par. 85)

A184. Estimates and forward-looking information are distinct concepts that both involve a degree of uncertainty:

- Forward-looking information pertains to forecasted or projected (hypothetical) events and conditions. Estimates are typically related to current or past events or conditions.
- Forward-looking information is based on predictions and assumptions about the future, which may be based on events regarded as being most likely to occur, or hypothetical events or conditions. Estimates are based on historical data, current conditions, and reasonable assumptions.
- Both estimates and forward-looking information have some degree of uncertainty due to inherent limitations related to the measurement or evaluation of the underlying matters or because the estimate depends on the forecast of one or more events or conditions.
- Forward-looking information generally involves a higher degree of uncertainty compared with estimates, as it deals with future events that are inherently unpredictable. Estimates are generally grounded in more immediate and observable data compared with forward-looking information.

A185. Although forward-looking information and estimates are distinct concepts, the approach to testing them often involves similar procedures. Both estimates and forward-looking information involve a degree of uncertainty. Therefore, obtaining evidence about both takes into account management's judgment in developing the estimate or forward-looking information, including management's selection and use of appropriate methods, assumptions, and data. Because of the similarities and the approach to testing, for purposes of this section of this proposed SSAE, estimates and forward-looking information are addressed together.

A186. The criteria may require disclosure of the entity's intended future strategy, targets, or other intentions. For such forward-looking information, the practitioner is not required to obtain evidence about whether the strategy, target, or intention will be achieved or to come to a conclusion to that effect.

Responding to Fraud or Suspected Fraud or Noncompliance or Suspected Noncompliance With Laws or Regulations (Ref: par. 86)

A187. When communicating fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations, the appropriate level of management or, when appropriate, those charged with governance with whom to discuss these matters may depend on whether management may have been involved in the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations. It will also depend on whether any of those charged with governance are involved in managing the entity. If those charged with governance are not involved with managing the entity, the practitioner may communicate to them the fraud or suspected fraud or instances of noncompliance or suspected noncompliance with laws or regulations involving management, employees who have significant roles in internal control, or where the fraud or noncompliance with laws or regulations results in a material misstatement in the sustainability information, unless that communication is prohibited by law, regulation, or ethical requirements.

Designing and Performing Additional Procedures (Ref: par. 87)

A188. The practitioner's judgment about the nature, timing, and extent of additional procedures that are needed in a review engagement to obtain evidence to either conclude that a material misstatement is not likely or determine that a material misstatement exists is, for example, guided by the following:

- Information obtained from the practitioner's evaluation of the results of the procedures already performed
- The practitioner's updated understanding of the sustainability matters and other engagement circumstances obtained throughout the course of the engagement
- The practitioner's view on the persuasiveness of evidence needed to address the matter that causes the practitioner to believe that the sustainability information may be materially misstated
- Whether the practitioner judges it appropriate to perform procedures of a similar nature or extent to that required in an examination engagement

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: par. 90*a*)

A189. Some framework criteria may allow the entity to omit information and explain what information has been omitted and why. For example, the entity may be permitted to omit information if a requirement is not applicable, information is unavailable or incomplete, or there are legal prohibitions or confidentiality constraints. In such cases, the omitted information may not be a misstatement. The practitioner may discuss the omission, and the reasons for it, with management and, where appropriate, those charged with governance before concluding whether the omission is a misstatement.

Communicating and Correcting Misstatements (Ref: par. 90*b*)

A190. In the case of narrative disclosures, asking management to correct a misstatement may involve management either rewording or removing the misstated text.

Determining Whether Uncorrected Misstatements Are Material (Ref: par. 90*c*)

A191. Determining whether uncorrected misstatements are material involves professional judgment in the context of the criteria and the engagement circumstances, including who the intended users are and what disclosures are likely to be important.

A192. It may be possible, after all nonquantifiable misstatements have been identified, to group them together, for example, by whether they relate, in common, to particular aspects of the sustainability matters. For example, there may be one or more individually immaterial misstatements in the qualitative statements management has made about occupational health and safety and another immaterial misstatement relating to employee diversity. Because occupational health and safety and diversity both relate to the social aspect of sustainability information, the practitioner may be able to group these misstatements together and consider their combined effect on the social aspect of the entity's sustainability information. Similarly, a number of immaterial misstatements in the reported water consumption information and another immaterial misstatement relating to waste generated may be able to be considered together as they both relate to the environmental aspect of the sustainability information.

A193. The sustainability information as a whole may be misstated, even though the misstatements are individually immaterial. Even if there are misstatements that are not able to be accumulated by sustainability matter or other common factors, they may exhibit a common direction, narrative, tone, or trend. For example, if the effect of the misstatements is to make the sustainability information as a whole look more favorable than it actually is, or all the misstatements overstate the positive aspects of the entity's actions and downplay the negative aspects, that may add up to give a biased and misleading picture to the users of the sustainability information.

A194. Materiality of uncorrected misstatements is considered in the context of qualitative and, when applicable, quantitative factors. The practitioner may also consider the extent to which users could reasonably be expected to make a different decision if the sustainability information was not misstated.

A195. Misstatements in qualitative information are as important as misstatements in quantitative information. If the misstatements in qualitative information are not corrected by management, the practitioner may accumulate them by listing them or by marking up or highlighting them in a copy of the sustainability information. When it is not possible to add the misstatements together to determine their effect in the aggregate, the practitioner may consider whether there are any commonalities among the misstatements, such as whether the misstatements reflect a more favorable outcome that is collectively material or indicate management bias.

A196. Other factors that may help the practitioner determine the materiality of misstatements include understanding

- the underlying cause of identified misstatements. For example, if a qualitative misstatement exists because management has intentionally decided to misrepresent facts, this may indicate the possibility that the sustainability information may contain a material misstatement due to fraud.

- whether a misstatement may have an indirect effect on misstatements identified in other areas of the engagement. For example, an otherwise immaterial overstatement of an item might indirectly affect a more significant calculation that incorporates the item, causing that calculation to fall below the required minimum threshold included in a contractual requirement or the qualification criteria for a scheme, grant, or funding. Similarly, the lack of a required approval for a relatively unimportant transaction might not be material individually, but it could have implications for the operating effectiveness of controls in areas of the sustainability information that users might consider important.

Evaluating the Description of Criteria (Ref: par. 91)

A197. Referencing or describing the criteria is particularly important when

- there are significant differences between criteria applied by entities in the same industry, region, or jurisdiction that the practitioner expects to have similar circumstances or be equivalent.
- the sustainability matter is subject to a high degree of measurement or evaluation uncertainty, such as forward-looking sustainability information, as there may be more variability or it may be open to greater interpretation than when there is less uncertainty. This may result in sustainability information that could be misunderstood or misinterpreted by intended users.

A198. In evaluating whether the reference to or description of the criteria is adequate, the practitioner may consider whether it addresses the following:

- The source of the criteria and whether the criteria are framework criteria embodied in law or regulation or issued by an authorized or recognized organization that follows a transparent due process, other framework criteria, or entity-developed criteria
- How framework criteria have been applied, including the entity's reporting policies for applying the framework criteria
- For other framework criteria or entity-developed criteria, how the determination was made that these, together with any framework criteria, are suitable
- When applicable framework criteria were not applied, the reasons therefor
- The specific aspects of the criteria related to particular types of sustainability information, for example,
  - — the basis for evaluating the reasonableness of the underlying assumptions for forward-looking information
  - — control objectives for design and operating effectiveness of processes, systems, or controls
  - — targets, key performance indicators, commitments, or goals for evaluating or measuring performance
- Measurement or evaluation methods used when the criteria allow for choice between a number of methods
- Any significant judgments made in applying the criteria in the engagement circumstances
- The inherent limitations, if any, associated with the measurement or evaluation of the sustainability matter against the criteria
- Other matters relevant to intended users' understanding of the basis for the preparation of the sustainability information, including uncertainties
- Any changes in the measurement or evaluation methods used, and the reasons therefor
- Any deviations from the criteria identified, for example, deviations from a framework that the entity has referred to as being the basis for preparing the sustainability information
- The need for clear meaning so that the description provides sufficient detail and clarity to be understandable and does not contain imprecise or qualifying language that may result in inconsistent interpretation

Forming the Conclusion

Evaluating the Evidence Obtained (Ref: par. 94)

A199. The evaluation includes work performed by a practitioner's external specialist or by internal auditors who provide direct assistance.

A200. The evaluation of evidence obtained related to the preparation of qualitative information or qualitative aspects of quantitative information may include consideration of whether

- there are indicators of possible bias in judgments and decisions in the making of estimates and in preparing the sustainability information.
- the quantification methods and reporting policies selected and applied are consistent with the criteria and are appropriate.
- the information presented in the sustainability information is relevant, reliable, complete, comparable, and understandable.
- the sustainability information provides adequate disclosure of the criteria and other matters, including uncertainties, such that intended users can understand the significant judgments made in its preparation.
- the terminology used in the sustainability information is appropriate.

Concluding (Ref: par. 96)

A201. Disclosures specified in the relevant law or regulation are adequate for reporting to the regulator. However, additional disclosures in the sustainability information may be necessary for the sustainability information not to be misleading to other intended users, such as the following:

- The method used for determining the reporting boundary, if the criteria allow a choice between different methods, and which operations are included
- Significant evaluation or quantification methods and reporting policies selected and applied, including
  - — the entity's process to identify the sustainability matters to be included in the sustainability information (see paragraph A3);
  - — any significant interpretations made in applying the criteria in the entity's circumstances, including data sources and, when choices between different methods are allowed or entity-specific methods are used, disclosure of the method used and the rationale for doing so; and
  - — how the entity determines whether previously reported disclosures should be restated
- A statement regarding the uncertainties relevant to the entity's quantification of its sustainability information, including their causes, how they have been addressed, and their effects on the sustainability information
- Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the sustainability information with a prior period or base year

Preparing the Practitioner's Report

Content of the Practitioner's Report

Identification of the Sustainability Information (Ref: par. 97c)

A202. Identification or description of the sustainability information subject to the attestation engagement and, when appropriate, the sustainability matters, may include the following:

- The title or other identifying features of the sustainability information and, if applicable, any broader report (such as an annual report or integrated report) within which the sustainability information is reported.
- If the sustainability information subject to the attestation engagement is not the entirety of the sustainability information reported, identification of the part of the sustainability information reported that is subject to the attestation engagement and, if necessary to assist users' understanding, identification of the sustainability information reported that is not subject to the attestation engagement.
- When applicable, the name of other entities (such as entities in the value chain), facilities, locations, jurisdictions, or other boundaries to which the sustainability matters relate.
- An explanation of those characteristics of the sustainability matters or the sustainability information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the sustainability matters against the criteria, or the persuasiveness of available evidence. For example,
  - — the degree to which the sustainability information is qualitative versus quantitative, narrative versus numeric, objective versus judgmental, or historical versus forward-looking.
  - — changes in the sustainability matters, criteria, or other engagement circumstances that affect the comparability of the sustainability information from one period to the next.

*Identification of Standards (Ref: par. 97*gi*)*

A203. In identifying the standards under which the engagement was performed as required by proposed AT-C section 210,[59] the practitioner may specify that the engagement was performed in accordance with the relevant sections of this proposed SSAE.

A204. When an engagement was also conducted in accordance with another set of standards, such as ISSA 5000*,* the reference to another set of standards follows the identification of the relevant AICPA standards, for example "Our [*examination/review*] was conducted in accordance with attestation standards established by the AICPA and in accordance with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board (IAASB)."

A205. The exhibit, "Illustrative Practitioner's Reports," includes examples of reports for review engagements conducted in accordance with both the attestation standards established by the

[59] Paragraph .69*g* of proposed AT-C section 210.

AICPA and ISSA 5000.

*Inherent Limitations in Preparing the Sustainability Information (Ref: par. 97*i*))*

A206. Although in some cases inherent limitations can be expected to be well understood by the intended users, in other cases it may be appropriate for the practitioner to make explicit reference to them in the practitioner's report. This may particularly be the case when inherent measurement or evaluation uncertainties may be fundamental to intended users' understanding of the sustainability information. For example, for greenhouse gas emissions, it may be appropriate to note that the entity's disclosures about Scope 3 emissions are subject to more inherent limitations than for Scope 1 and Scope 2 emissions, given the lack of availability and relative precision of information used for determining both qualitative and quantitative Scope 3 information from value chain entities outside the control of the group.

A207. Management may choose to explain limitations on the ability to obtain information from value chain entities included in the sustainability information reported, and if not, the practitioner may discuss with management whether to do so. The practitioner may also choose to describe the effects on the practitioner's procedures in the attestation report (for example, in the "Inherent Limitations" section of the report). However, it is important that any such description in the practitioner's report does not imply that the practitioner's responsibility for obtaining sufficient appropriate evidence to support the conclusion is reduced with respect to such information.

A208. For engagements on sustainability information containing forward-looking information (that is, goals or targets, forecasts, scenario analyses, or transition plans) the preparation of this information may be subject to inherent limitations. If the practitioner describes such limitations in an "Inherent Limitations" section of the practitioner's report, such description may refer to management's explanation, if any, and state the following:

- For a forecast expressed as specific disclosure or disclosures: "Actual results are likely to be different from the forecasted sustainability information because anticipated events frequently do not occur as expected and the variation could be material."
- For a forecast expressed as a range: "For forecast information expressed in a range, the actual results may fall outside of that range and the variation could be material."
- For projections, scenario analyses, or transition plans: "The forward-looking sustainability information has been prepared for [*state purpose*] using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, users are cautioned that the forward-looking sustainability information is not used for purposes other than that described."

Modifications to the Practitioner's Report (Ref: par. 99)

A209. Information or explanations included in the practitioner's report that are not intended to affect the practitioner's conclusion include any

- paragraphs used to draw intended users' attention to a matter presented or disclosed in

the sustainability information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of that information (often referred to as *emphasis-of-matter paragraphs*).
- paragraphs used to communicate a matter other than those that are presented or disclosed in the sustainability information that, in the practitioner's judgment, is relevant to intended users' understanding of the engagement, the practitioner's responsibilities, or the practitioner's report (referred to as *other-matter paragraphs*).
- additional information included in the practitioner's report.

A210. In addition to the basic elements described in paragraph 97, the practitioner may decide to include additional information in the practitioner's report. Matters that may be relevant to the practitioner's decision to include such additional information may include the following:
- Sustainability information may be prepared for diverse groups of users and may cover sustainability matters that are diverse in nature, ranging from a single aspect, such as greenhouse gases emitted by the entity during a period, to an entity's strategy, business model, and performance, which may comprise
  - historical information;
  - forward-looking information;
  - processes, systems, and controls; and
  - performance against targets, goals, or commitments.
- The sustainability matters may be complex to measure or evaluate or may be subject to measurement or evaluation uncertainties, which the intended users might not be aware of.
- The criteria used to measure or evaluate the sustainability matters may be set out in an established framework, may be developed by the entity, or may be selected from various frameworks, with or without further development by the entity, making it difficult for a user to understand how the sustainability information has been prepared.
- The sustainability information may be presented in the form of a traditional stand-alone report or as part of a larger report or reports. It may also be presented partially in narrative form and partially through the use of graphs, images, embedded videos, or similar representations. The presentation could support the users' understanding of what is, and what is not, subject to the attestation engagement.

A211. The practitioner may have responsibilities to report on other matters that are additional to the practitioner's responsibilities under this section of this proposed SSAE. For example, the practitioner may be required to report on the entity's compliance with specified requirements that are not criteria for preparation and presentation of the sustainability information. In that case, AT-C section 315, *Compliance Attestation,* would be applicable. In some cases, the relevant law or regulation may require or permit the practitioner to report on these other responsibilities as part of the practitioner's report on the sustainability information. In other cases, the practitioner may be required or permitted to report on them in a separate report.

A212. Other reporting responsibilities are addressed in a separate section of the practitioner's report with the heading "Report on Other Legal and Regulatory Requirements," or other heading as appropriate to the content of the section, in order to clearly differentiate them from the practitioner's responsibility under this section of this proposed SSAE.

Comparative Information (Ref: par. 100–104)

A213. Framework criteria, law or regulation, or the terms of the engagement may specify requirements regarding the presentation, reporting, and assurance of the comparative information.

A214. The practitioner's responsibilities with respect to comparative information vary based on the engagement circumstances. In some circumstances, comparative information may be covered by the practitioner's conclusion or a predecessor's attestation engagement. If the comparative information is not covered by the practitioner's conclusion, then it is also other information and the requirements in proposed AT-C section 210[60] and paragraphs 100–109 of this section of this proposed SSAE apply.

A215. Comparative information is covered by the practitioner's conclusion when the practitioner's conclusion extends to the comparative information as part of the current-year engagement. For example, this might occur when the practitioner

- performed an engagement in the prior period and there are no revisions or restatements of the comparative information in the current period (that is, the information has not changed from what was previously assured).
- performed an engagement in the prior period and is engaged, as part of the current attestation engagement, in the current period to perform procedures over revisions or restatements to the comparative information.
- is engaged in the current period to perform procedures on the comparative information (that is, it was not previously assured but is assured in the current period).

How the practitioner's conclusion in the current period extends to the comparative information depends on the facts and circumstances.

A216. Comparative information that is covered by the practitioner's conclusion is subject to all the requirements in this section of this proposed SSAE.

A217. Current-period information, and the related prior-period information, about sustainability matters that are not covered by the practitioner's conclusion is other information and the requirements in proposed AT-C section 210[61] and paragraphs 105–109 of this section of this proposed SSAE apply. For example, the sustainability information to be reported includes prior-period information presented in relation to a topic or an aspect of a topic about environmental, social, governance, or other sustainability-related matters in the current period. This prior-period sustainability-related information is presented for purposes of comparison to current-period sustainability-related information that is not within the scope of the current-year review

[60] Paragraphs .95–.100 of proposed AT-C section 210.
[61] Paragraphs .95–.100 of proposed AT-C section 210.

engagement. In such circumstances, the prior-period information, like the current-period information to which it relates, is other information.

A218. The framework criteria or law or regulation may include explicit requirements for presentation of comparative information, such as requirements for how changes in reporting boundaries and error corrections should be evaluated and presented, or principles-based requirements, such as an overarching principle of consistency in information reported that allows for meaningful comparison of information reported over time. Depending on the specificity of the requirements, the framework criteria or law or regulation may be supplemented with entity-developed criteria or reporting policies with respect to presentation of comparative information.

A219. Procedures that may also be performed when evaluating the presentation of the comparative information include determining whether the framework criteria or law or regulation for measurement or evaluation of the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been appropriately applied to the prior-period information and disclosed.

A220. Procedures that may be performed in evaluating the consistency of the comparative information include inquiries about how management prepared the comparative information and the reasons for any changes from the previous disclosures.

A221. If there are inconsistencies between the comparative information and the current-period sustainability information, the practitioner may consider the reasons for those differences to evaluate whether they are in accordance with the framework criteria or law or regulation. The practitioner may also consider whether reporting policies have changed from period to period and whether they have been consistently applied (see paragraphs 57 and A112).

A222. When sustainability information includes comparisons of period-on-period information, such as references to percentage reductions or increases in measures or key performance indicators, it is important that the practitioner consider the appropriateness of the comparisons. These may be inappropriate due to

- significant changes in operations from the prior period;
- significant changes in conversion factors;
- significant changes in assumptions; or
- inconsistency of sources or methods of measurement or evaluation.

Inconsistencies or changes may be appropriately addressed by the entity in the sustainability information through presentation or disclosure or by the practitioner in a separate paragraph in the practitioner’s report, or both.

A223. Information reported in a prior period may need to be revised in accordance with the framework criteria or law or regulation because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.

A224. If comparative information is not required to be presented by the framework criteria or law or regulation, the procedures the practitioner may perform include evaluating whether the

- comparative information is consistent with the disclosures in the prior period, and if not, whether any inconsistencies are appropriate and disclosures have been made so that the change is not misleading; and
- criteria for measurement or evaluation of comparative information are consistent with those applied in the current period and, if not, whether any inconsistencies are appropriate and are disclosed so that the differences in criteria and reporting policies are not misleading.

A225. Following the discussion with management,

- when the comparative information is covered by the practitioner's conclusion, and a material misstatement of the comparative information has been identified, the requirements in paragraphs .41–.47 of proposed AT-C section 210 apply.
- when the comparative information is not covered by the practitioner's conclusion, and a material misstatement of the comparative information has been identified, the requirements in paragraph .99 of proposed AT-C section 210 and paragraphs 106–109 of this section of this proposed SSAE apply.

A226. The practitioner may need to take additional action if the prior-period information on which an attestation engagement was performed by the practitioner in the prior period is materially misstated. See paragraphs .49–.53 of proposed AT-C section 210.

A227. The practitioner's consideration of whether to include a separate paragraph in the current-period report regarding the comparative information may include whether

- the report will be publicly available.
- there are adjustments to the comparative information from a previous period, and whether appropriate disclosures are included in the sustainability information about the adjustments.
- the level of information presented for the comparative period is comparable with the level of information presented for the current period or whether the comparative information is a minor disclosure relative to the sustainability information for the current period.
- there are changes in the scope of information presented and an attestation engagement was performed in the prior period, for example, new information is presented.
- the comparative information subject to an attestation engagement in the prior period is the same comparative information presented in the current presentation (or whether certain of the comparative information is new in the current presentation or was removed from the original presentation in the prior period).
- the level of assurance changed from period to period (for example, from an examination engagement to a review engagement).
- the opinion or conclusion was modified in the prior period.

A228. If the practitioner includes a separate paragraph in the practitioner's report that refers to the practitioner's or a predecessor's prior report, the practitioner may include the following details:

- The fact that the comparative information was previously subject to an examination or a review engagement

- The type of opinion or conclusion expressed by the practitioner or predecessor practitioner
- If the opinion or conclusion was modified, the reasons for any modifications
- The date of the practitioner's or predecessor practitioner's report
- If applicable, the fact that the comparative information has been adjusted from the prior period
- If applicable, any changes in scope of the attestation engagement from the prior period or level of assurance
- Other matters that are relevant to the situation

Other Information (Ref: par. 105)

Reading the Other Information

A229. As explained in paragraph 7, the scope of the attestation engagement may extend to all sustainability information to be reported by the entity or only part of that information. When the attestation engagement does not cover the entirety of the sustainability information, the term "sustainability information" is to be read as the information that is subject to the attestation engagement.

Documentation (Ref: par. 110)

A230. The following are examples of documentation that enable an experienced practitioner, having no previous connection with the engagement, to understand the matters described in items (*a*)–(*c*) of paragraph 110:

- The evaluation in accordance with paragraph 27 that the work of a practitioner's external specialist is adequate for the practitioner's purposes
- The evaluations, procedures, and significant judgments made in using internal auditors to provide direct assistance in accordance with paragraphs 30–34
- The basis for the practitioner's determination of performance materiality in accordance with paragraph 40
- The determination in accordance with paragraph 45 that the work of the internal audit function is adequate for the practitioner's purposes
- The determination in accordance with paragraph 49 that information reported on by an other individual is adequate for the practitioner's purposes
- The discussion among the engagement team in accordance with paragraph 54 and the significant decisions reached
- Key elements of the practitioner's understanding, inquiries, and discussion in accordance with paragraphs 58–65
- The evaluation of the design of identified controls and determination about whether such controls have been implemented in accordance with paragraph 68
- The design and implementation of overall responses to address the assessed risks of material misstatement in accordance with paragraph 73

- When applicable, conclusions reached about whether it is appropriate to use evidence about the operating effectiveness of controls obtained in previous engagements in accordance with paragraph 77

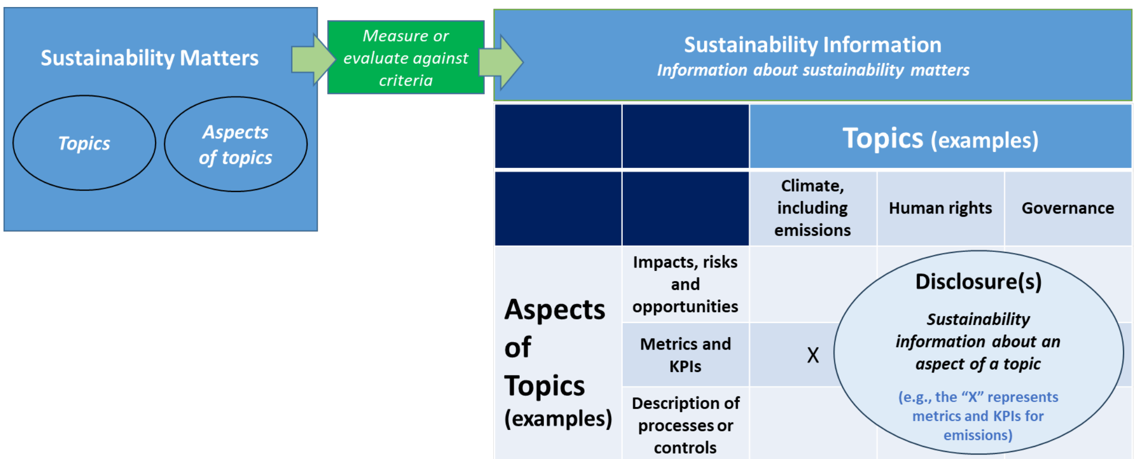
Appendix (Ref: par. 02–03 and A17)

A231.

Sustainability Matters and Sustainability Information

This appendix explains the relationship between sustainability matters (that is, the underlying subject matter); sustainability information (that is, the subject matter information), which results from measuring or evaluating the sustainability matters against the criteria; and the related disclosures.

This relationship can be illustrated as follows:



As a part of establishing whether the preconditions for an attestation engagement are present, paragraph 19 requires the practitioner to consider whether the entity has a process to identify sustainability information to be reported.

As explained in paragraph 3, sustainability information is reported in accordance with the criteria. The topics and aspects of topics of sustainability matters are considered by management in determining the sustainability information to be reported and are manifested in the related disclosures. A disclosure represents sustainability information reported by the entity about an aspect of a topic. A more comprehensive list of examples of topics and aspects of topics is provided in paragraph A19.

Disclosures can be in various forms (for example, narrative descriptions or other qualitative information, tables with key performance indicators or other quantitative information, or a combination thereof) and may be limited to a single paragraph or table or may span multiple pages in a separate sustainability report, part of the entity's annual report, or some other reporting mechanism. How the entity presents the disclosures (that is, how the entity aggregates or disaggregates the sustainability information for purposes of presentation) is determined by the criteria. Whether and how the practitioner may further aggregate and disaggregate the disclosures for purposes of planning and performing the engagement is a matter of professional judgment, as explained in paragraph A56.

Exhibit — Illustrative Practitioner's Reports

A232.

The illustrative practitioner's review reports on sustainability information in this exhibit meet the applicable reporting requirements in paragraphs 97–104. A practitioner may use alternative language in drafting an examination report on sustainability information, provided that the language meets the applicable requirements in paragraphs 97–104.

The following illustrative reports are included:

- Illustration 1 — Review Report on Sustainability Information
- Illustration 2 — Review Report on Sustainability Information When the Examination Has Been Conducted in Accordance With Both the Attestation Standards Established by the AICPA and ISSA 5000 (Limited Assurance)
- Illustration 3 — Combined Assertion-Based Examination and Review Report on Sustainability Information
- Illustration 4 — Review Report on Sustainability Information With a Qualified Conclusion

Illustration 1 — Review Report on Sustainability Information

Example: Practitioner's Review Report on Sustainability Information; Unmodified Conclusion

The following is an illustrative practitioner's review report for a review engagement in which the practitioner has reviewed and is reporting on sustainability information.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- A review engagement in which the practitioner has reviewed the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20X1, as required by law or regulation (the Sustainability Report).
- The Sustainability Report is prepared by management of the Company in accordance with criteria developed by the entity (the Entity Sustainability Reporting Criteria).
- The Sustainability Report includes comparative information that is not covered by the practitioner's conclusion. The comparative information was subject to a review engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified. The practitioner determined not to state those facts in the practitioner's report. The practitioner determined in the current period that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that an unmodified conclusion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document, and the practitioner is reporting on the entirety of the Sustainability Report. Accordingly, there is no other information.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

We have reviewed the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the "Sustainability Report"). The Company's management is responsible for the preparation of the Sustainability Report in accordance with the Entity Sustainability Reporting Criteria set forth in Note 1, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We conducted our review in accordance with attestation standards established by the AICPA.[1] Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Sustainability Report in order for it to be in accordance with the criteria.

The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

A review involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the review, to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. Accordingly, no such conclusion is expressed.
- designing and performing procedures that are responsive to the assessed risks of material misstatement at the disclosure level.

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

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria including inherent limitations relating to forward-looking information included in the sustainability information.]*

[*Include a summary of nature and extent of procedures performed that, in the practitioner's judgment, provide additional information that may be relevant to the user's understanding of the work performed to support the practitioner's conclusion.*]

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements*, proposed AT-C section 210, *Review Engagements*, and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*.

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

Based on our review, we are not aware of any material modifications that should be made to the Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, in order for it be in accordance with the Entity Sustainability Reporting Criteria set forth in Note 1.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustration 2 — Review Engagement Report on Sustainability Information When the Review Has Been Conducted in Accordance With Both the Attestation Standards Established by the AICPA and ISSA 5000 (Limited Assurance)

Example: Practitioner's Review Report on Sustainability Information; Unmodified Conclusion

The following is an illustrative practitioner's review report in which the practitioner has reviewed and is reporting on sustainability information. The review has been conducted in accordance with both the attestation standards established by the AICPA and International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- A review engagement (limited assurance) in which the practitioner has reviewed the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX, as required by law or regulation (the Sustainability Report).
- XYZ Company is not a listed entity, and it is not a public interest entity as defined by the jurisdiction in which it is located.
- The Sustainability Information is prepared by management of the Company in accordance with framework criteria (ABC Framework Criteria).
- Management of the Company is the engaging party and the responsible party. Those charged with governance are responsible for oversight of the Company's sustainability reporting process.
- The terms of the attestation engagement reflect the description of management's responsibility for the Sustainability Report.
- The practitioner has concluded that an unmodified conclusion is appropriate based on the evidence obtained.
- The Sustainability Report includes comparative information that is not covered by the practitioner's conclusion. The comparative information was subject to a review by the same practitioner in the prior period and the practitioner issued a report that expressed an unmodified conclusion. The practitioner determined to state those facts in the practitioner's report. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive, and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)*, and the practitioner's report refers to both.
- The firm of which the practitioner is a member applies Statements on Quality Management Standards established by the AICPA, including QM section 10, *A Firm's System of Quality Management,* and International Standard on Quality Management (ISQM) 1, *Quality*

Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements.
- The Sustainability Report is presented in a stand-alone document, and the practitioner is reporting on the entirety of the Sustainability Report. Accordingly, there is no other information.
- The practitioner's report is not restricted.

Independent Accountant's Limited Assurance Report

[*Appropriate addressee*]

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the "Sustainability Report").

Based on procedures we have performed and the evidence we have obtained, we are not aware of any material modifications that should be made to the Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, in order for it to be in accordance with ABC Framework Criteria.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants in the United States of America,[1] and in accordance with International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board (collectively referred to as the "assurance standards").

The procedures performed in a limited assurance engagement vary in nature and timing from, and are substantially less in extent than for, a reasonable assurance engagement, the objective of which is to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under these assurance standards are further described in the "Practitioner's Responsibilities" section of our report.

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[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 210, *Review Engagements,* and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*.

We are independent of the Company and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our limited assurance engagement, which include relevant ethical requirements in the United States of America, and in accordance with the *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants related to sustainability assurance engagements.

Our firm applies International Standard on Quality Management 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires the firm to design, implement, and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Other Matter — Comparative Information

We conducted a limited assurance engagement on the accompanying Sustainability Report as of and for the year ended December 31, 20X0. Our report thereon, dated [*date of prior-year review report*], stated that, based on our procedures, we were not aware of any material modifications that should be made to that Sustainability Report for it to be in accordance with the Entity Sustainability Reporting Criteria.

[*Additional paragraphs may be added under an appropriate heading, including where appropriate in the engagement circumstances an emphasis-of-matter paragraph or other-matter paragraph, to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

Responsibilities for the Sustainability Report

The Company's management is responsible for the preparation of the Sustainability Report in accordance with ABC Framework Criteria, as further described in the Sustainability Report, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for oversight of the Company's sustainability reporting process.

[*Inherent Limitations in Preparing the Sustainability Information*]

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

Practitioner's Responsibilities

The assurance standards require that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Report is in accordance with the criteria and is free from material misstatement, whether due to fraud or error. Our responsibility is to issue a report that includes our conclusion on the Sustainability Report based on our limited assurance engagement.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

As part of a limited assurance engagement, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also

- perform risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the limited assurance engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. Accordingly, no such conclusion is expressed.
- design and perform procedures that are responsive to the assessed risks of material misstatement, at the disclosure level.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of procedures selected depend on professional judgment, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error.

In conducting our limited assurance engagement, we:

[*Include a summary of nature and extent of procedures performed that, in the practitioner's judgment, provide additional information that may be relevant to the user's understanding of the work performed to support the practitioner's conclusion.*]

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

[*Date of practitioner's report*]

Illustration 3 — Combined Assertion-Based Examination and Review Engagement Report on Sustainability Information

Example: Combined Practitioner's Assertion-Based Examination and Review Report on Sustainability Information; Unmodified Opinion

The following is an illustrative practitioner's single report for an engagement in which the practitioner has examined certain sustainability information and reviewed other sustainability information and is reporting on the sustainability information in a single report as permitted by proposed AT-C sections 205, *Assertion-Based Examination Engagements*, and 210, *Review Engagements*.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- An assertion-based examination engagement relating to specified disclosures (Examined Disclosures) and a review engagement relating to other specified disclosures (Reviewed Disclosures) of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the Sustainability Report).
- The Sustainability Report represents the sustainability information reported by the Company and specified disclosures, as agreed in the terms of the engagement and described in the practitioner's report, represent the sustainability information subject to the attestation engagements.
- The specified disclosures are prepared by the management of the Company in accordance with framework criteria (ABC Framework Criteria), which is a compliance framework.
- Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that an unmodified opinion and an unmodified conclusion are appropriate with respect to the specified disclosures subject to examination and the specified disclosures subject to review, respectively, based on the evidence obtained.
- The Sustainability Information includes comparative information that is not covered by the practitioner's conclusion. The comparative information was not subject to an attestation engagement in the prior period. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document. The practitioner has read the entirety of the Sustainability Report and has not identified a material misstatement or a material inconsistency of the other information (that is, any disclosures not subject to the practitioner's examination or review) in the Sustainability Report.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

Examination and Review of Certain Sustainability Information

We have examined the following specified disclosures included in the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX:

- [*Disclosure 1*]
- [*Disclosure 2*] (collectively, the "Examined Disclosures")

We have reviewed the following specified disclosures included in the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX:

- [*Disclosure 3*]
- [*Disclosure 4*]
- [*Disclosure 5*] (collectively, the "Reviewed Disclosures")

The Company's management is responsible for the preparation of the previously specified disclosures in accordance with the ABC Framework Criteria set forth in Note 1, including the design, implementation, and maintenance of internal control relevant to the preparation of the previously specified disclosures that are free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on the Examined Disclosures based on our examination and a conclusion on the Reviewed Disclosures based on our review.

We conducted our engagement in accordance with attestation standards established by the AICPA.[1] Those standards require that

- we plan and perform the examination to obtain reasonable assurance about whether the Examined Disclosures are in accordance with the criteria, in all material respects. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an examination conducted in accordance with attestation standards established by the AICPA will always detect a material misstatement when it exists.
- we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Reviewed Disclosures in order for them to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the Reviewed Disclosures are in accordance with the criteria, in all material respects, in order to express an opinion.

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 210, *Review Engagements,* and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*.

> Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Examined Disclosures or the Reviewed Disclosures.

An examination involves performing procedures to obtain evidence about the Examined Disclosures. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the examination to identify and assess the risks of material misstatement, whether due to fraud or error, at the underlying assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- designing and performing procedures that are responsive to the assessed risks of material misstatement, at the underlying assertion level for the disclosures.

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

A review involves performing procedures to obtain evidence about the Reviewed Disclosures. The nature, timing, and extent of the procedures selected depend on our judgment and include

- performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the review, to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. Accordingly, no such conclusion is expressed.
- designing and performing procedures that are responsive to the assessed risks of material misstatement, at the disclosure level.

[*Include a summary of nature and extent of procedures performed that, in the practitioner's judgment, provide additional information that may be relevant to the user's understanding of the work performed to support the practitioner's conclusion.*]

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

The comparative information as of December 31, 20X0, included in the Sustainability Report was not subject to an attestation engagement in the prior period.

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

In our opinion, the Examined Disclosures included in the accompanying Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, are presented in accordance with the ABC Framework Criteria, in all material respects.

Based on our review, we are not aware of any material modifications that should be made to the Reviewed Disclosures included in the accompanying Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, in order for them to be in accordance with ABC Framework Criteria.

[*Signature of the practitioner's firm*]
[*City and state where the practitioner's report is issued*]
[*Date of practitioner's report*]

Illustration 4 — Review Report on Sustainability Information

Example: Practitioner's Review Report on Sustainability Information; Qualified Conclusion

The following is an illustrative practitioner's review report for a review engagement in which the practitioner has reviewed and is reporting on sustainability information.

For purposes of this illustrative practitioner's report, the following circumstances are assumed:

- A review engagement in which the practitioner has reviewed the entirety of the Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX, as required by law or regulation (the Sustainability Report).
- The Sustainability Report is prepared by management of the Company in accordance with criteria developed by the entity (the Entity Sustainability Reporting Criteria).
- The Sustainability Report includes comparative information that is not covered by the practitioner's conclusion. The comparative information was subject to a review engagement by a predecessor practitioner in the prior period. The predecessor practitioner's conclusion was unmodified. The practitioner determined not to state those facts in the practitioner's report. The practitioner determined that the comparative information is appropriately presented and did not become aware of any material misstatement of the comparative information. Management of the Company is the engaging party and the responsible party.
- The practitioner has concluded that a qualified conclusion is appropriate due to a misstatement in the Sustainability Report that the practitioner has determined, based on the evidence obtained, is material but not pervasive.
- The relevant ethical requirements that apply to the attestation engagement consist of the AICPA Code of Professional Conduct together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.
- The Sustainability Report is presented in a stand-alone document, and the practitioner is reporting on the entirety of the Sustainability Report. Accordingly, there is no other information.
- The practitioner's report is not restricted.

Independent Accountant's Report

[*Appropriate addressee*]

We have reviewed the accompanying Sustainability Report of XYZ Company (the Company) as of and for the year ended December 31, 20XX (the "Sustainability Report"). The Company's management is responsible for the preparation of the Sustainability Report in accordance with the Entity Sustainability Reporting Criteria set forth in Note 1, including the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We conducted our review in accordance with attestation standards established by the AICPA.[1] Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Sustainability Report in order for it to be in accordance with the criteria.

The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the Sustainability Report is in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Sustainability Report.

- A review involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing, and extent of the procedures selected depend on our judgment and include performing risk assessment procedures that are appropriate in the circumstances, including obtaining an understanding of internal control relevant to the review, to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of expressing a conclusion on the effectiveness of the Company's internal control. Accordingly, no such conclusion is expressed.
- designing and performing procedures that are responsive to the assessed risks of material misstatement at the disclosure level.

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

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

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the sustainability matters against the criteria, including inherent limitations relating to forward-looking information included in the sustainability information.*]

[1] The practitioner may specify the specific sections of the attestation standards used, for example, proposed AT-C section 105, *Concepts Common to All Attestation Engagements,* proposed AT-C section 210, *Review Engagements,* and proposed AT-C section 330, *Reporting on a Review of Sustainability Information*.

[*Include a summary of nature and extent of procedures performed that, in the practitioner's judgment, provide additional information that may be relevant to the user's understanding of the work performed to support the practitioner's conclusion.*]

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement or the sustainability information.*]

Our review disclosed that [*describe conditions that, individually or in the aggregate, resulted in a material misstatement or deviation from the criteria; for example, greenhouse gas emissions information for Subsidiary X was excluded from the schedule of greenhouse gas emissions; such subsidiary represents X% of the consolidated (identify assets, revenues, or other key element).*]

Based on our review, except for the material misstatement [*or deviation from the criteria*] described in the preceding paragraph, we are not aware of any material modifications that should be made to the Sustainability Report of XYZ Company as of and for the year ended December 31, 20XX, in order for it be in accordance with the Entity Sustainability Reporting Criteria.

[*Signature of the practitioner's firm*]

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

[*Date of practitioner's report*]