



Agenda Item 3F

Comment Letters on the January 28, 2014 Exposure Draft of the Proposed Statement on Standards for Attestation Engagements (SSAE), *Subject-Matter Specific Attestation Standards: Clarification and Recodification*

Letter Number	Abbreviation in Summary of Comments	Name
1	N. Illinois Univ.	Mark Hogan, Northern Illinois University
2	Montana	State of Montana Legislative Audit Division
3	Washington	Washington State Auditor, Troy Kelly.
4	NASBA	National Association of State Boards of Accountancy
5	GAO	U.S. Government Accountability Office
6	Akresh	Abraham D. Akresh
7	FICPA	Florida Institute of Certified Public Accountants
8	Georgia	State of Georgia, Department of Audits and Accounts Office of Quality Assurance
9	Illinois Society	Illinois CPA Society
10	D&T	Deloitte & Touche LLP
11	New Mexico	New Mexico Regulation and Licensing Department
12	KPMG	KPMG LLP
13	TIC	Technical issues Committee of the AICPA Private Companies Practice Section
14	PWC	PricewaterhouseCoopers LLP
15	McGladrey	McGladrey LLP
16	E&Y	Ernst & Young LLP

Summary of Comments on the Exposure Draft *Subject Matter Specific Attestation Standards: Clarification and Recodification*
Note: All paragraph number references are to the paragraph numbers in the January 28, 2014 exposure draft, unless indicated otherwise.

Paragraph Number or Topic	Commenter	Comment	Disposition of the Comment
Question 1 Are the objectives of the practitioner in each of the chapters appropriate?	Deloitte	We believe the objectives as drafted for the subject-matter specific chapters and included in this proposed SSAE, namely; chapter 5, <i>Financial Forecasts and Projections</i> , chapter 6, <i>Reporting on Pro Form Financial Information</i> , and chapter 7, <i>Compliance Attestation</i> , are appropriate, however we have made recommendations in the individual chapter comment sections, below, to conform the language more closely with the objectives outlined in chapter 2, <i>Examination Engagements</i> , chapter 3, <i>Review Engagements</i> , and chapter 4, <i>Agreed-Upon Procedures Engagements</i> .	Supportive
Question 1: Objectives	GAO	<p>We agree with the objectives in each of the chapters and find them appropriate. We found that such objectives generally align with the objectives established in chapters 2, 3, and 4, as included in the ASB's proposed <i>Attestation Standards: Clarification and Recodification</i>.¹ However, we believe that the reporting objectives in chapters 5 and 6 could be enhanced to more clearly indicate that the practitioner should report on the subject matter, rather than the written assertion provided by management, in examinations of prospective financial information and examinations and reviews of pro forma financial information. For example, the reporting objectives in chapter 5 and 6 for examinations of prospective financial information and pro forma financial information, respectively, could be revised to read as follows: "express an opinion in a written report on whether the prospective financial information [or pro forma financial information] is in conformity with the criteria." Additionally, the reporting objectives in chapter 6 for reviews of pro forma financial information could be revised to read as follows: "express a conclusion in a written report about whether any material modifications should be made to the pro forma financial information in order for it to be in conformity with the criteria."</p> <p>We concur with the ASB's restructuring of the attestation standards so that the requirements and application guidance applicable to any attestation engagement are in chapter 1, with performance and reporting requirements and application guidance specific to examination, review, and agreed-upon procedures engagements in chapters 2, 3, and 4, respectively. We further agree that the subject-matter specific attestation standards should build on chapters 1 through 4 and not repeat the requirements and application guidance found in those chapters, with the exception of a repetition of the required report elements.</p> <p>¹ <i>Attestation Standards: Clarification and Recodification</i> was exposed for public comment on July 14, 2013. GAO's comment letter for this proposed statement on standards for attestation engagements can be found at http://www.gao.gov</p>	<p>Made the following change to par. 5.7b</p> <p>b. <u>express an opinion in a written report</u> on the matters in par. 5.7a.</p> <p>Supportive</p>
The following objective to express an opinion on the	NASBA	We believe that the objectives of the practitioner in each of the chapters are appropriate.	Supportive

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matters in par. Question 1: Objectives			
Question 1: Objectives	Illinois Society	<i>General comments on the proposed standards:</i> In general, the Committee agrees with the changes resulting from applying the clarity drafting conventions and their effect on the content of the proposed SSAE. We support the ASB in its mission to clarify and improve the standards, and more specifically we find the revision of the objectives in the proposed standard to be helpful.	Supportive
Question1 : Objectives	FICPA	The Committee generally felt the objectives of the chapters appeared to be appropriate. Overall, the Committee also noted that some of the requirements may just reinforce the best practices of different firms. Certain Committee members also appreciated the columnar format with the side-by-side presentation, noting such a presentation made reading the different provisions easier.	Supportive
Question 1 : Objectives	Washington State	Yes, the practitioner objectives appear to be appropriate.	Supportive
Question 1 : Objectives	Montana	We believe the objectives of the practitioner in each of the chapters were appropriate.	Supportive
Question 1 : Objectives 5.7	Georgia	Paragraph 5.7 does not mention that one of the objectives of a practitioner in an examination engagement of prospective financial information is the expression of an opinion. Other paragraphs in the exposure draft that describe the objectives of examination engagements (paragraphs 6.4 and 7.8) specifically state that the practitioner's is to express an opinion. Paragraph 5.7 should be revised to indicate that one of the objectives of a practitioner in an examination engagement of prospective is to express an opinion	Made the following change to par. 5.7 b b. <u>express an opinion in a written report</u> on the matters in par. 5.7 a .
Question 2 Are the substantive and language changes to extant AT sections 301, 401, and 601 made by the exposure draft appropriate?	Deloitte	We believe the substantive and language changes to extant AT sections 301, 401, and 601 are generally appropriate. We acknowledge the mandate of the project was to apply clarity conventions to the SSAEs rather than to substantially revise the standards, and included in this process was consideration of: <ul style="list-style-type: none"> • Conformity, in certain circumstances, to the requirements and application guidance of other standards • The revised structure for the attestation standards as previously addressed in the proposed Statement on Standards for Attestation Engagements, <i>Attestation Standards: Clarification and Recodification</i>, issued July 24, 2013. 	Supportive
Question 2: Language changes	Montana	The substantive and language changes to extant AT Sections 301, 401, and 601 are appropriate.	Supportive

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Question 2: Language changes	Illinois Society	Overall, the Committee believes the substantive and language changes to be appropriate. We have some specific comments in the following section.	Supportive
Question 2: Language changes Highlight the changes from the extant SSAEs.	FICPA	As far as the substantive and language changes for extant AT sections 301, 401, and 601, due to the expansive presentation of the changes, Committee members noted difficulty in determining from a high-level the full extent of what changed. The Committee suggests the spirit of the substantive changes be more prominently displayed, such as in a Basis of Conclusions section such as in an Accounting Standards Update from the FASB.	AICPA policy does not provide for this. However staff will develop written material about the changes.
Question 2: Language changes 7.A2	Georgia	<p>Question 2: Are the substantive and language changes to extant AT sections 301, 401, and 601 made by the exposure draft appropriate?</p> <p>We recommend that the following sentence included in paragraph 7.A2 be reworded:</p> <p style="padding-left: 40px;">“...Since the specified parties decide the procedures to be performed in an agreed-upon procedures engagement, it may be in the best interests of the practitioner and specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement.”</p> <p>We found this sentence to go beyond customary application guidance in that it is very opinionated and expresses a preference of an agreed-upon procedures engagement over an examination engagement. We believe the type of engagement that is the best fit should be based on the judgment of the practitioner after careful consideration of the facts and circumstances. We believe that the exposure draft can express advantages and disadvantages of the various engagement types without attempting to influence the practitioner. We believe the aforementioned sentence should be revised as follows:</p> <p style="padding-left: 40px;">Practitioners assume less risk when they conduct an agreed-upon procedures engagement since the specified parties decide the procedures to be performed. On the other hand, an examination engagement is less restrictive in its scope and may provide more meaningful information regarding an entity’s compliance with requirements of specified laws, regulations, rules, contract, or grants.</p>	Deleted par. 7.A2
Question 3 <i>Are there considerations for less complex entities and governmental entities that should be addressed in the exposure draft?</i>	Deloitte	While there is only limited guidance with respect to smaller, less complex entities and governmental entities, we do not believe any additional specific guidance for these types of entities is necessary.	Supportive
Question 3: Less	GAO	We appreciate the attention the ASB has given to governmental entities in the exposure draft	Supportive

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complex and governmental entities		by alluding to the practitioner's procedures when an attestation engagement is required by law or regulation. In certain circumstances, law or regulation will not allow a practitioner to withdraw from an engagement when withdrawal would otherwise be appropriate under the attestation standards. [See specific comments on paragraphs 5.24 and 7.22]	
Question 3: Less complex and governmental entities	NASBA	We believe that there are not any considerations for less complex or governmental entities that should be addressed in the exposure draft.	Supportive
Question 3: Less complex and governmental entities	Illinois Society	We do not have any considerations for less complex entities and governmental entities that should be addressed in the exposure draft.	Supportive
Question 3: Less complex and governmental entities	FICPA	The Committee members did not note any need for considerations for less complex entities and governmental entities that should be addressed in the exposure draft. Generally, the Committee tends not to favor different sets of requirements for different entities, unless necessary.	Supportive
Question 3: Less complex and governmental entities	Georgia	None noted	Supportive
Question 3 : Less complex and governmental entities	Washington State	We expected more consideration to be given to governmental entities, especially in the area of examinations or compliance examinations. These considerations would be similar to those found under the auditing standards when giving an opinion on financial statements. We have not included specific examples of such considerations with this letter.	Supportive
Question 3 : Less complex and governmental entities	Montana	3. We do not believe there is a need to address the considerations for less complex and governmental entities.	Supportive
Revised structure of the attestation standards	Deloitte	In general, the concept of the revised structure does facilitate the understanding and implementation of the subject-matter specific attestation standards. However, in certain instances we believe that the ASB has not consistently followed the "building block approach" noted in the explanatory memorandum. This approach was used to ensure that requirements and application guidance to be found in chapter 1, <i>Concepts Common to All Attestation Engagements</i> , chapter 2, chapter 3, and chapter 4, were not to be repeated in each of the subject-matter specific chapters (other than the basic report elements). This has resulted in a certain amount of duplication that could have otherwise been avoided.	Some of the repetition is intentional. For example, the subject matter chapters include paragraphs in the "Requirements" column that refer to requirements in chapters 1-4 in order to provide a paragraph to which application guidance can be linked.

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Revised structure of the attestation standards When should material in chapters 1-4 be repeated in the subject matter chapters?	McGladrey	We support the ASB's objective of clarifying the subject-matter specific attestation standards. We have an overarching concern, however, that the manner in which information from chapters 1 through 4 is either repeated, referenced, or not referenced in proposed chapters 5 through 8 is not consistent from chapter to chapter or within each chapter. We believe the ASB should determine a consistent methodology for repeating, referencing and not referencing information from chapters 1 through 4 in subsequent chapters. In our comments below, we have suggested examples and revisions that we believe address other concerns regarding the application of the proposed SSAE.	See response in the row above
Revised structure of the attestation standards	GAO	We support the ASB's efforts to apply clarity drafting conventions and to converge its standards with those of the International Auditing and Assurance Standards Board, which we believe will help ensure consistency of practice for those performing attestation engagements. We also support the ASB's efforts to revise the structure of the attestation standards to minimize the repetition of material that is either common to all attestation engagements or all examination, review, or agreed-upon procedures engagements.	Supportive
Subject matter chapters are not needed	Akresh	Is there a need for standards on subject matters? The basic principles for these engagements are already in Chapters 1-4. I suggest that most of the material in Chapter 5-7 can be in audit guides, rather than standards, since the standards in Chapters 1-4 should be sufficient for any attestation engagement.	The ASB does not support this view.
Chapter 5, "Financial Forecasts and Projections"			
5.3 Change <i>guide</i> to <i>Guide</i> .	Deloitte	We believe the defined term "guide" should be capitalized to give it appropriate prominence throughout chapter 5 in the proposed SSAE. We recommend that all references to the Guide be generic given forthcoming plans to update the AICPA guides. See the following suggested edits: 5.3 The AICPA guide, <i>Prospective Financial Information</i> (the G uide) provides additional guidance regarding these services, including the types and uses of prospective financial information, guidelines for the preparation and presentation of prospective financial information, and interpretive guidance for applying the material in this chapter.	Per AICPA editor: "We would not capitalize the word "guide" in sentences like "The guide states that..." It is not our style. We only capitalize when it is being used as a proper noun, for example, like in a title. For subsequent mentions.... the word "guide" would be lowercased.
5.3 Change <i>guide</i> to <i>Guide</i>	Illinois Society	Chapter 5 frequently makes reference to the AICPA guide <i>Prospective Financial Information</i> (the guide). We believe the references to the guide would be clearer if the "g" in Guide were capitalized throughout the standard.	

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			http://www.chicagomanualofstyle.org/gand_a/data/faq/topics/CapitalizationTitles/faq0004.html
5.3	McGladrey	<p><i>Introduction</i> Per proposed paragraph 5.3, the AICPA guide, <i>Prospective Financial Information</i>, provides additional guidance for practitioners examining or performing agreed-upon procedures on prospective financial information. In addition, the guide provides the criteria used to evaluate the presentation of prospective financial information. Further, the guide also is referenced in several application paragraphs of chapter 5. Therefore, when examining or performing agreed-upon procedures on prospective financial information, in addition to reading proposed chapter 5, the practitioner also will need to read the guide, as well as general chapter 1 and chapter 2 or 4, as applicable. We recommend that the guide be updated and issued in revised form simultaneously with the issuance of the proposed chapter 5.</p>	The guide will be updated. However, the issuance date is to be determined.
<p>Importance of prospective financial information guide; Need for consistency between SSAE and guide.</p> <p>5.3</p>	TIC	<p>The importance of the AICPA Guide, <i>Prospective Financial Information</i> (the Guide)</p> <p>For many years, the Guide has been the primary source of guidance for engagements involving prospective financial information. It repeats much of the authoritative attestation standards, provides extensive interpretative and implementation guidance and is the unique source for presentation guidance for forecasts and projections. TIC expects the Guide to continue as an indispensable resource for anyone preparing or reporting on prospective financial information.</p> <p>However, TIC also understands that the requirements applicable to accountants' services on forecasts and projections need to reside in the attestation standards or the SSARS standards, as applicable; even though, as currently structured, the Guide is the only resource needed by practitioners when performing these engagements. With this in mind, TIC recommends that all requirements and application material from the new attestation standard be repeated in the Guide.</p> <p>Although TIC understands that the Guide cannot replace the standards, TIC believes that the reference to the Guide in the Financial Forecasts and Projections Chapter is significantly understated given the importance of the Guide. Instead of saying that the Guide provides <u>additional</u> guidance, TIC recommends that the Board revise paragraph 5.3 to say that the Guide provides <u>comprehensive</u> guidance, as follows:</p> <p style="text-align: center;"><i>The AICPA guide Prospective Financial Information (the guide) provides additional</i></p>	Changed "additional" to "comprehensive."

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		<p><i>comprehensive guidance regarding these services, including the types and uses of prospective financial information, guidelines for the preparation and presentation of prospective financial information, and interpretive guidance for applying the material in this chapter.</i></p> <p>To effectively implement the updates to the clarified attestation standards and provide consistent resources between the Guide and the standards, TIC believes it will be essential to issue the revised Guide on or before the effective date of the final Financial Forecasts and Projections standard.</p>	The issuance date is to be determined.
Effective date and compilations of prospective financial information 5.6	NASBA	We have some concerns over the effective date of the Proposed Attestation Standards. The guidance regarding compilations of prospective financial information currently in AT section 301 has been removed from the SSAEs because compilations are not attestation engagements as defined in the proposed revision of AT section 101, <i>Attest Engagements</i> . The effective date of the proposed Attestation Standard is no earlier than reports dated June 15, 2015. If the revised guidance for compilations of prospective financial information is not effective prior to or consistent with this Proposed Standard, it is not clear what standard a professional would follow in issuing a compilation of prospective financial information.	To be determined.
5.7 and 5.8	Deloitte	One objective included in chapter 2, paragraph 2.3c is that the practitioner is to “communicate further as required by relevant chapters of the attestation standards”. We believe that this objective should be included in paragraphs 5.7 and 5.8.	There are no additional communication requirements in chapter 5. The applicable communication requirements are in chapters 2 and 4.
<i>Achievement</i> instead of <i>achievability</i> 5.A1	Illinois Society	<p>Chapter 5 Objectives – Application and Other Explanatory Material</p> <p>Paragraph 5.A.1 states “The practitioner’s opinion does not address the achievability of the prospective results because events and circumstances frequently do not occur as expected and achievement of the prospective results is dependent on the actions, plans, and assumptions of the responsible party.” We suggest that the term “achievability” be changed to “achievement”. Achievability implies an assessment of probability, whereas achievement is whether or not results occur. We believe the term achievement more accurately reflects the intent of the sentence, and is consistent with the language included in the opinion letter.</p>	“Achievement” is a foregone conclusion because the future hasn’t happened yet. “Achievability” refers to whether the results could be achieved in the future.
5.9a	Deloitte	<i>5.9a. Financial forecast</i>	

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Definition of <i>financial forecast</i>		<p>We recommend that the wording pertaining to the definition “Financial forecast” be further refined to include language in paragraph 5.21 “Written Representations”. In addition, certain language currently reflected as a requirement could be reflected as application guidance as it does not relate specifically to the definition. We also recommend striking the wording relating to “presentation guidelines” and including the terminology in the new proposed definition (see below). See the following suggested edits:</p> <p>5.9a. Financial forecast. Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, an entity’s expected financial position, results of operations, and cash flows. A financial forecast is based on the responsible party’s assumptions <u>that</u> reflecting the responsible party’s judgment based on present circumstances of the conditions it expects to exist and the course of action it expects to take. A financial forecast may be expressed in specific monetary amounts as a single point estimate of forecasted results or as a range, when the responsible party selects key assumptions to form a range within which it reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. When a forecast contains a range, the range is not selected in a biased or misleading manner—for example, a range in which one end is significantly less expected than the other. Minimum presentation guidelines for prospective financial statements are set forth in chapter 8, “Presentation Guidelines” of the guide. (Ref: par. 5.A4-5.A6)</p> <p>New application guidance paragraph. A financial forecast may be expressed in <u>specific monetary amounts as a single point estimate of forecasted results or as a range, when the responsible party selects key assumptions to form a range within which it reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. When a forecast contains a range, the range is not selected in a biased or misleading manner—for example, a range in which one end is significantly less expected than the other.</u></p>	<p>.</p> <p>The definitions come from the guide. The definitions in the guide were established by the AICPA Accounting Services Executive Committee and the task force has tried not to change them.</p> <p>Deleted the last sentence because the proposed chapter will be applicable to full presentations as well as partial presentations, so the term “minimum presentation guidelines” is no longer needed.</p> <p>Did not make the other changes.</p> <p>Retained these sentences in the definition. Did not move them to application guidance.</p> <p>.</p>
Definition of <i>financial</i>	Deloitte	5.9b <i>Financial projection</i>	

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<p><i>projection</i></p> <p>5.9b.</p>		<p>We recommend that the wording pertaining to the definition “Financial projection” be further refined to include language included in paragraph 5.22 “Written Representations”. In addition, certain language currently reflected as a requirement could be reflected as application guidance as it does not relate specifically to the definition. We also recommend striking the wording relating to “presentation guidelines” and including the terminology in the new proposed definition (see below). See the following suggested edits:</p> <p>5.9b Financial projection. Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, given one or more hypothetical assumptions, an entity’s expected financial position, results of operations, and cash flows. A financial projection is sometimes prepared to present one or more hypothetical courses of action for evaluation, as in response to a question such as, “What would happen if...?” A financial projection is based on the responsible party’s assumptions <u>that reflecting the responsible party’s judgment based on present circumstances of the</u> conditions it expects would exist and the course of action it expects would be taken, given one or more hypothetical assumptions. A projection, like a forecast, may contain a range. Minimum presentation guidelines for prospective financial statements are set forth in chapter 8 of the guide. (Ref: par. 5.A7 and 5.A13)</p> <p><u>New application guidance paragraph. A financial projection is sometimes prepared to present one or more hypothetical courses of action for evaluation, as in response to a question such as, “What would happen if...?” A financial projection may contain a range.</u></p>	<p>The definitions come from the guide. The definitions in the guide were established by the AICPA Accounting Services Executive Committee and the task force has tried not to change them.</p> <p>Deleted the last sentence but did not make the other changes.</p> <p>Retained this sentence in the definition. Did not move it to application guidance.</p>
<p>5.9 Proposed additional definition</p> <p><i>presentation guidelines</i></p>	<p>Deloitte</p>	<p><i>Presentation guidelines (proposed new definition)</i></p> <p>Given that the term “presentation guidelines” is included in the language relating to the objectives as well as the report examples, we recommend that this be a defined term and that the related language in Appendix A from extant AT 301 be included as application guidance.</p> <p>We recommend that the minimum presentation guidelines as reflected in Appendix A of extant AT 301 be included so as to ensure that the practitioner does not need to refer to additional source material in order to fulfil requirements. See the following suggested edits:</p>	<p>..</p> <p>In the guide, if the presentation does not meet the “minimum presentation guidelines,” the practitioner is not required to report on</p>

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		<p><u>New definition. Presentation guidelines. Minimum presentation guidelines for prospective financial statements are set forth in the Guide.</u></p>	<p>it. The proposed chapter will be applicable to full presentations as well partial presentations, so the term “minimum presentation guidelines” is no longer needed.</p> <p>Added a definition of “presentation guidelines.”</p>
<p>Add definition of <i>entity</i>. 5.A4</p>	<p>Deloitte</p>	<p>We recommend that the definition of “entity” as it relates to prospective financial information be included in the list of defined terms and not be included as application guidance. The lead-in to paragraph 5.9 clearly articulates that the definitions are “for the purposes of this chapter.” See the following suggested edits:</p> <p>5.A4 In the context of prospective financial information, the guide defines an <i>entity</i> as any unit, existing or to be formed, for which financial statements could be prepared in accordance with the applicable financial reporting framework. For example, an entity can be an individual, partnership, corporation, trust, estate, association, or governmental unit. (Ref: par. 5.9a–b)</p> <p><u>New definition. Entity. Any unit, existing or to be formed, for which financial statements could be prepared in accordance with the applicable financial reporting framework.</u></p>	<p>Deleted par. 5.A4</p> <p>Added an application paragraph stating that the definition of the term “entity” is applicable only to this chapter</p> <p>Added the definition of “entity” that is included in par. 3.07 of the guide.</p>
<p>Identify the paragraph number in the prospectives guide where the definition of <i>entity</i> can be found. 5.A4</p>	<p>PWC</p>	<p>Par. 5.A4: When guidance is attributed to the AICPA Guide <i>Prospective Financial Information</i>, we believe it is helpful to identify the chapter and, if practicable, the paragraph from which it is drawn. Accordingly, we suggest editing the opening phrase as follows: “In the context of prospective financial information, <i>paragraph 3.07</i> of the guide defines an <i>entity</i> as any unit . . .”</p>	<p>Deleted par. 5.A4</p>
<p>Paragraph 5.10 and 5.A5 should reference</p>	<p>PWC</p>	<p>Par.5.A5: We suggest adding paragraph 5.10 to the parenthetical reference at the end of this paragraph, and also adding a reference at the end of paragraph 5.10 to paragraph 5.A5, since</p>	<p>Made this change.</p>

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each other		paragraph 5.A5 provides additional context for the requirement in paragraph 5.10.	
Paragraph 5.10 should reference paragraphs 5.A5 and 5.A6	GAO	We recommend that a reference to the application guidance in paragraphs 5.A5 and 5.A6 be included at the end of paragraph 5.10.	Made this change.
Definition of <i>financial forecast</i> 5.9(a)	PWC	Par. 5.9(a): At the end of the third sentence of the definition of “financial forecast,” we recommend adding the words “within the range” for additional clarity so that the concluding phrase reads “to actually fall within the range.”	Did not make this change. The definitions come from the guide. The definitions in the guide were established by the AICPA Accounting Services Executive Committee and the task force has tried not to change them.
Use the term <i>prospective financial information</i> when applicable to both prospective financial statements and partial presentations. Add a definition of <i>prospective financial information</i>	GAO	Specifically, we found that the following terms were not consistently used throughout chapter 5: prospective financial information, prospective financial statements, and partial presentation. For example, paragraph 5.27 states that when the prospective financial statements contain a range, the practitioner’s report should also include an explanatory paragraph that states that the responsible party has elected to portray the expected results of one or more assumptions as a range. However, we believe the term prospective financial information should be used in lieu of prospective financial statements because this requirement would also be applicable when a partial presentation contains a range. To better ensure the consistent use of such terms, we recommend that prospective financial information be used in lieu of prospective financial statements throughout chapter 5, to the extent that the requirements and application guidance are relevant to both prospective financial statements and partial presentations. We also recommend that a definition for prospective financial information be included in the definitions section of chapter 5. Such a definition could be modeled after the definition for attestation engagement in the definitions section of chapter 1 and incorporate the information included in paragraphs 5.2 and 5.9, as follows: Prospective financial information. Prospective financial information can take the form of prospective financial statements or partial presentations, defined as follows: i. <i>Prospective financial statements.</i> Either financial forecasts or financial projections,	Added a definition of “prospective financial information.” When applicable to both full and partial presentations, the term “prospective financial information” is used. In an application, paragraph indicated that only full presentations are referred to as “prospective financial statements.”

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5.9		<p>including the summaries of significant assumptions and accounting policies. Although prospective financial statements may cover a period that has partially expired, statements for periods that have completely expired are not considered to be prospective financial statements. Pro forma financial statements and partial presentations are not considered to be prospective financial statements.</p> <p>ii. <i>Partial presentation.</i> A presentation of prospective financial information that excludes one or more of the items required for prospective financial statements as described in chapter 8 of the guide. A partial presentation may include either forecasted or projected information and may either be extracted from a presentation of prospective financial statements or may be prepared to meet a specific need. (Ref: par. 5.A8)</p>	A partial presentation is referred to as such.
Add a definition of <i>prospective financial information</i> 5.9	McGladrey	<p><i>Definitions</i> Paragraph 5.9 includes a definition of “prospective financial statements.” We believe that it should also include a definition of “prospective financial information.” Also, the discussion of prospective financial information in paragraph 5.2 should be consistent with this definition</p>	Added a definition of “prospective financial information” that is consistent with par. 5.2.
Add a definition of <i>criteria for the preparation of prospective financial information</i> 5.9	GAO	<p>Consistent with the inclusion of the term criteria for the preparation of pro forma financial information in chapter 6, we recommend that the following term be included in the definitions section of chapter 5:</p> <p>Criteria for the preparation of prospective financial information. The guidelines for the preparation and presentation of prospective financial information established by the American Institute of Certified Public Accountants <u>and the assumptions underlying the prospective financial information</u></p>	<p>Added the following definition of “presentation guidelines”</p> <p>The criteria for the presentation of prospective financial information.</p>
5.10 Change “permit the use of ” to “consent to the use of.”	Deloitte	<p>Paragraph 5.10 includes the phrase “should not permit the use of” while the wording in extant AT 301 paragraph .11 reflects the phrase “should not consent to the use of.” We recommend that the language in extant AT 301 be retained by requiring the practitioner’s consent in situations where the financial projection is not appropriate for general use. Further, examples relating to a requirement are better reflected as application guidance. See suggested edits as follows:</p> <p>5.10 Because a financial projection is not appropriate for general use, a practitioner should not permit consent to the use of the practitioner’s name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party, for example, in an offering statement of an entity’s debt or equity interests, unless the projection is used to supplement a financial forecast for a period covered by the forecast.</p>	<p>Changed to “a practitioner should not agree to the use of the practitioner’s name...”</p>

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		<p><u>New application guidance paragraph. An example of a financial projection that is not appropriate for general use is where there is an offering statement of an entity's debt or equity interests, unless the projection is used to supplement a financial forecast for a period covered by the forecast.</u></p>	<p>Moved the example in par. 5.10 to application guidance.</p>
<p>Clarify the meaning of "a projection used to supplement a financial forecast"</p> <p>5.10</p>	<p>TIC</p>	<p>Paragraph 5.10—Projections Used to Supplement a Financial Forecast</p> <p>TIC believes the underlined phrase below from paragraph 5.10 is unclear:</p> <p><i>...a practitioner should not permit the use of the practitioner's name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party...unless <u>the projection is used to supplement a financial forecast for a period covered by the forecast.</u></i> (Note: Paragraph 4.05 of the Guide is slightly different: <i>...unless the projection is used to supplement a financial forecast and is for a period covered by the forecast.</i>)</p> <p>The meaning of "supplement" in this context is unclear. For example, does the requirement contemplate placement of the projection outside of the forecast but within the same document? TIC was also uncertain whether the periods covered by the forecast and projection are required to match exactly or just to overlap. TIC believes clarification of paragraph 5.10 is important since how the words are interpreted can affect whether the presentation would be for limited use only or for general use.</p> <p>TIC believes the paragraph would be easier to understand if the word "supplement" and the phrase "for a period covered" were deleted. Instead, words should be added to clarify where the projection should be presented and whether the projection period must be the same as the forecast period or whether the projection period just needs to overlap the forecast period. In TIC's view, the forecast period could be longer than the period covered by the projection, but the whole projection period should be covered by the forecast. TIC therefore suggests the following:</p> <p><i>...a practitioner should not permit the use of the practitioner's name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party...unless <u>the projection is presented in the same document as a financial forecast and does not begin before, or extend beyond the period of, the forecast.</u></i></p>	<p>Did not make this change but deleted the example in par. 5.10, and added an application paragraph that clarifies the example in par. 5.10 of an inappropriate use of the</p>

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			practitioner's name in conjunction with a financial projection.
<p>Paragraph 5.13</p> <p><i>Accounting principles vs. applicable financial reporting framework</i> 5.A11-5.A12</p> <p>Require knowledge of key factors on which the entity's future financial results are based</p> <p>5.12</p>	TIC	<p>Paragraph 5.13 and 5.A11-5.A12—Factors to be Considered in Planning the Examination Engagement</p> <p>TIC disagrees with the Board's decision to classify the sub-bullets (a) through (i) in paragraph 5.A11 as application material. TIC believes each of the factors listed in the paragraph should be performed on every examination engagement. Although paragraph 15.09 of the Guide, which corresponds to paragraph 5.A11 in the ED, is unclear and does not state a definitive requirement, TIC interprets the lead-in to paragraph 15.09 as a "should consider" requirement. In addition, paragraphs 5.A11(a) and 5.A11(f), as application material, seem inconsistent with the requirement in paragraph 5.12 "to obtain a level of knowledge of the industry and the accounting principles and practices of the industry in which the entity operates or will operate."</p> <p>TIC also noticed an inconsistency between the references to "accounting principles" in the first sentence of paragraph 5.A12 v. "financial reporting framework" in paragraph 5.A11 (a). TIC noted the term "accounting principles" is used in these passages from paragraphs 5.09 and 5.10 of the Guide. TIC suggests the Board decide which term is preferred and use it consistently in paragraphs 5.A11 and 5.A12 and throughout the chapter, as applicable. If the Board decides to use "financial reporting framework" consistently, then a complete search should be performed of all three subject-matter chapters in this ED for other uses of the term "accounting principles."</p> <p>Paragraph 5.A12 converts the "should requirements" in paragraph 5.10(a) through (d) of the Guide, to application material. TIC understands that the bullet points in paragraph 5.A12 could be application material since they are just examples which may or may not be relevant for a particular type of entity. At a minimum, however, TIC believes the following requirement from the lead-in to paragraph 5.10 of the Guide, which is now part of the lead-in to paragraph 5.A12, should remain a requirement in the final clarified standard:</p> <p style="padding-left: 40px;"><i>The practitioner should obtain knowledge of the key factors on which the entity's future financial results are based.</i></p> <p>TIC believes it is important for the practitioner to know this information in order for the practitioner to verify that the key assumptions are complete. TIC could not find this requirement elsewhere in the proposed standard. TIC therefore recommends that this planning step be removed from the application material and inserted as an additional requirement. If the Board decides to convert paragraph 5.A11 into a requirement paragraph, it could be added as an additional bullet there.</p>	<p>Did not make this change.</p> <p>Changed "principles" to "policies" in par. 5.A12.</p> <p>Elevated this to a requirement.</p>

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5.A12(a) The example in 5.A12a is only applicable to a commercial entity	TIC	Paragraph 5.A12(a)—Obtaining Knowledge of the Entity’s Business Entities other than commercial entities prepare forecasts and projections; therefore, the wording in this paragraph should be changed from “(Principal items usually include raw materials, labor, short-term and long-term financing, and plant and equipment)” to “(For example, principal items for a commercial entity usually include raw materials,...and equipment).”	Made this change.
5.A12 Revise paragraph 5.12a to also be applicable to entities other than commercial entities	McGladrey	<i>Planning</i> Because entities other than commercial entities prepare prospective financial statements, we believe paragraph 5.A12.a should be revised to read as follows (proposed deletions are struck through, and proposed additions are shown in bold font): a. The availability and cost of resources needed to operate (Principal items usually include for example, raw materials, labor, short-term and long-term financing, and plant and equipment.)	Made this change.
Consider the responsible party’s knowledge of the guide 5.14(d)	TIC	Paragraph 5.14(d)—Examination Procedures re: the Responsible Party’s Competence This paragraph requires the practitioner to “consider the responsible party’s competence with respect to prospective financial statements.” TIC believes the following (or something similar) should be added to the requirement: “including the responsible party’s knowledge/familiarity with the AICPA’s <i>Prospective Financial Information</i> Guide.	Did not make this change
Use “support for responsible party’s assumptions” instead of “adequacy of responsible party’s assumptions” or “adequacy of responsible party’s underlying data 5.14(f)	TIC	Paragraph 5.14(f)—Examination Procedures re: the Adequacy of the Responsible Party’s Assumptions TIC believes the requirement for the practitioner to consider the adequacy of the responsible party’s assumptions is unclear and, if intended as written, is out of place. The adequacy of assumptions would be a determination that a practitioner would make after having completed their procedures and not while determining what procedures are to be performed. TIC also noted that the adequacy of assumptions is not otherwise addressed in the proposal. TIC believes this phrase should be changed to “consider the support for the responsible party’s assumptions.” Paragraph 5.14(f) of the ED is also inconsistent with paragraph 15.14(f) of the Guide, which refers to the adequacy of the responsible party’s underlying data. TIC believes the language in the Guide is preferred. TIC requests the Board to reexamine this paragraph for clarity.	Made this change.
5.14f	McGladrey	We are concerned that the requirement in paragraph 5.14.f for the practitioner to consider “the	Revised language to

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		adequacy of the responsible party's assumptions" is not sufficiently descriptive. We believe this requirement should be clarified so as to address whether the adequacy of the responsible party's assumptions refers to the completeness of the assumptions, the adequacy of the responsible party's support for the assumptions, the quality of the support for the assumptions and/or other factors.	indicate that what is being referred to is support for the responsible party's assumptions.
5.15 What is the difference in the meaning of these terms? "reasonably objective," "sufficiently objective," "suitably supported" and "reasonable basis."	McGladrey	Paragraph 5.15 requires the practitioner to consider whether the responsible party has a reasonably objective basis for the forecast and whether sufficiently objective assumptions can be developed for each key factor. Paragraph 5.7.a.ii states that "the objectives of the practitioner are to obtain reasonable assurance about whether, in all material respects, the assumptions underlying the forecast are suitably supported and provide a reasonable basis for the responsible party's forecast..." It is unclear whether there is a differentiation among the terms "reasonably objective," "sufficiently objective," "suitably supported" and "reasonable basis." Clarification should be provided in the use of these terms (in paragraphs 5.15, 5.A13, 5.7.a.ii, 5.A1, 5.A14, and 5.25.h).	Added new par. 5A14 to describe what a reasonably objective basis is and how it relates to the assumptions and the premise on which the assumptions are based. Added new par. 5.A17 to explain what suitably supported means.
Change "should consider" to "should evaluate." 5.15 and 5.17	Deloitte	We believe the phrase "should consider" is difficult to measure and we recommend replacing the phrase throughout chapter 5 with the phrase "should evaluate."	Made this change.
5.16	Deloitte	We recommend clarifying that the phrase "suitably supported" relates directly to the underlying assumptions only and not to the hypothetical assumptions in a financial projection. This also aligns with the objective language in paragraph 5.7a.ii. See suggested edits below: 5.16 The practitioner should perform those procedures the practitioner considers necessary in the circumstances to report on whether the assumptions underlying the financial forecast, or the assumptions underlying the financial projection , are suitably supported and provide a reasonable basis for the prospective financial statements, given the hypothetical assumptions in a financial projection. (Ref: par. 5.A14-5.A17)	Revised par. 5.16 using slightly different language.
Difference between "reasonably objective basis" and "reasonable basis?" 5.15-5.17	TIC	Paragraphs 5.15-5.17 and 5.A7(ii), 5.A1, 5.A13-5.A17—Reasonably Objective Basis for a Forecast v. Reasonable Basis for a Projection These paragraphs discuss the criteria and the examination procedures to determine whether a "reasonably objective basis" for a forecast or a "reasonable basis" for a projection exists for each type of engagement. Based on the application material provided, the distinction between	

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5.A13		<p>having a reasonably objective basis for a forecast and having a reasonable basis for a projection is unclear.</p> <p>For example, the terminology used in paragraphs 5.15 and 5.A14 is confusing and seems inconsistent. Paragraph 5.15 refers to “a reasonably objective basis for the forecast” whereas 5.A14 refers to the assumptions providing “a reasonable basis for the forecast,” which is the same language used for a projection in paragraph 5.A15. Although the paragraphs may be correct as written, the various levels of assumptions involved in these presentations present difficulties in understanding the practitioner’s performance requirements.</p> <p>TIC believes the concepts would be easier to understand if paragraph 5.A13 mentioned that “a reasonably objective basis for a forecast” cannot exist if the premise on which the assumptions are based is too subjective. The forecast has to be based on a realistic premise, which has to be supportable. In contrast, the basic premise for a projection does not have to be supportable, although the hypothetical assumptions should be consistent with the purpose of the presentation. TIC therefore recommends that these requirement and application paragraphs be clarified to make them easier to understand.</p>	Made this change.to par. 5.A13.
Identify guide chapters where presentation guidelines can be found. 5.A10	PWC	Par. 5.A10: We suggest editing this paragraph to read as follows: “The preparation and presentation guidelines are contained in chapters 6 and 8, respectively, of the guide.” To avoid redundancy, also consider deleting paragraph 5.A2.	Deleted par. 5.A10 and added the words, “contained in the guide” at the end of par. 5.11.
Identify guide paragraph indicating no need for reasonably objective basis for assumptions 5.A13	PWC	Par. 5.A13: Consider editing the beginning of this paragraph to read as follows: “ Paragraph 7.01P of t he guide notes that . . .”	Made this change.
5.A14 and 5.A15	Deloitte	<p>Paragraphs 5.A14 and 5.A15</p> <p>We recommend that sub-headings be added to the lead-in for each of these paragraphs in order to provide further clarity. This is also consistent with the presentation in the extant AT 301. In addition, we recommend that further guidance be provided pertaining to the factors and the related assumptions discussed in paragraph 5.A14 and included in extant AT 301, Appendix C, footnote 3. See suggested edits below:</p> <p>5.A14. <u>Financial forecast.</u> The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial forecast if the responsible party represents that the</p>	Added subheadings

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		<p>presentation reflects, to the best of its knowledge and belief, its estimate of expected financial position, results of operations, and cash flows for the prospective period, and the practitioner concludes, based on his or her the practitioner's examination that the, (1) that the responsible party has explicitly identified all key factors expected to materially affect the operations of the entity during the prospective period and has developed appropriate assumptions with respect to such factors, and (2) that the assumptions are suitably supported. (Ref: par. 5.16)</p> <p>5.A15. <u>Financial projection given the hypothetical assumptions.</u> The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial projection given the hypothetical assumptions if the responsible party represents that the presentation reflects, to the best of its knowledge and belief, expected financial position, results of operations, and cash flows for the prospective period given the hypothetical assumptions, and the practitioner concludes, based on his or her the practitioner's examination, that</p> <p style="padding-left: 40px;">a. the responsible party has explicitly identified all key factors that would materially affect the operations of the entity during the prospective period if the hypothetical assumptions were to materialize and has developed appropriate assumptions with respect to such factors, and</p> <p style="padding-left: 40px;">b. the other assumptions are suitably supported given the hypothetical assumptions. However, as the number and significance of the hypothetical assumptions increase, the practitioner may not be satisfied able to satisfy himself or herself with the presentation as a whole by obtaining support for the remaining assumptions. (Ref: par. 5.16)</p> <p><u>New application guidance paragraph. An attempt to list all assumptions is inherently not feasible. Frequently, basic assumptions that have enormous potential impact are considered to be implicit, such as conditions of peace and absence of natural disasters.</u></p>	<p>Made these changes.</p> <p>Did not include the words "given the hypothetical assumptions" in the subheading.</p> <p>Changed to "the practitioner may not be able to be satisfied about the presentation..."</p> <p>Did not add this application paragraph because it is guidance for the preparation of the forecast or projection; not for examining it.</p>
5.17	Deloitte	<p>We recommend that a requirement be added to include the concept of evaluating assumptions in the aggregate when the practitioner is evaluating whether the assumptions provide a reasonable basis for the financial forecast. The following suggested language is derived from the Guide, refer to paragraph 15.26. See suggested edits below:</p> <p><u>New requirement paragraph. In an evaluation of whether the assumptions provide a reasonable basis for the forecast, the practitioner should evaluate</u></p>	<p>Added this paragraph in new par. 5.19.</p>

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		<p><u>the assumptions in the aggregate. If certain assumptions do not have a material impact on the presentation, they may not have to be individually evaluated. Nonetheless, the practitioner should evaluate the aggregate impact of individually insignificant assumptions in making the practitioner's overall evaluation.</u></p>	
5.A16	Deloitte	<p>We recommend that additional guidance be included in chapter 5 relating to the "preponderance of information." The following suggested language is derived from the Guide, refer to paragraph 15.25. See suggested edits below:</p> <p><u>New application guidance paragraph. Preponderance is not meant to imply that a statistical majority of available information points to a specific assumption. Rather, a preponderance of information exists for an assumption if the weight of available information tends to support that assumption. Furthermore, because of the judgments involved in developing assumptions, different people may arrive at somewhat different but equally reasonable assumptions based on the same information.</u></p>	Added this paragraph in new par. 5.A17.
<p>At the end of par. 5.16 add a reference to pars. 5A14-5.A18</p> <p>At the end of par. 5.17, add a reference to pars. 5A16-5A18</p>	PWC	<p>Pars 5.16-5.17: Consider extending the parenthetical reference at the end of these paragraphs to include paragraphs 5.A14- 5.A18 and paragraphs 5.A16-5.A18, respectively.</p>	Made this change.
<p>Identify applicable professional literature for reviews of historical financial statements</p> <p>5.18</p>	Deloitte	<p>Paragraph 5.18 refers to a review of the historical information. The requirement does not specify which review standards should be applied. We recommend that this be further clarified by adding the following application guidance, modified from extant AT 301, Appendix C, footnote 5. See suggested edits below:</p> <p><u>New application guidance paragraph. If the entity is nonpublic, the practitioner may perform the review procedures in accordance with either of the following standards, as applicable:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> <u>AU-C section 930, <i>Interim Financial Information</i></u> <input type="checkbox"/> <u>SSARS No. 19, <i>Compilation and Review Engagements.</i></u> 	Deleted par. 5.18b.
<p>5.18(b)</p> <p>Require an audit rather than a review of historical financial statements in examination of</p>	PWC	<p><u>Review of historical financial information in a prospective period</u></p> <p>In evaluating the support for assumptions for an expired portion of the prospective period being examined, paragraph 5.18(b) requires the practitioner to review the historical financial results in conformity with the applicable standards for a review if the prospective financial statements incorporate such historical financial results and that period is significant to the presentation. We question why a review, rather than an audit, of such financial results is deemed to be sufficient given that in the case of an examination of pro forma financial information, the</p>	<p>Deleted par. 5.18b</p> <p>Added par. New 5.A21 which states that the practitioner may consider performing a review</p>

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prospective f/s that incorporates historical financial results.		historical financial statements on which the pro forma financial information is based would be required to be audited and we are not aware of situations in practice where only a review of such historical financial statements would be completed in connection with the examination of prospective financial information. We recommend that additional guidance be provided to clarify whether there are specific circumstances in the context of an examination of prospective financial statements in which a review of relevant historical financial results is appropriate. If such situations do not exist we question why an audit of the historical financial statements would not be required.	or an audit of the historical financial statements. Added new par. 5.A22 to indicate that at some point the historical results are such a large portion of the prospective results that it might be inappropriate to examine them
McGladrey 5.18(b)		We believe paragraph 5.18.b should be clarified as follows (proposed additions are shown in bold font): b. if the prospective financial statements incorporate such historical financial results and that period is significant to the presentation, perform a review of the historical information in conformity with the applicable standards for a review of historical financial information promulgated by the American Institute of Certified Public Accountants.	Deleted par. 5.18b. Added new par. 5.A21 which states that the practitioner may consider performing a review or an audit of the historical financial statements.
5.18(b)	TIC	Paragraph 5.18(b)—Reference to Applicable Standards for a Review TIC suggests modifying this paragraph to clarify that AICPA review standards apply: <i>If the prospective financial statements incorporate such historical financial results and that period is significant to the presentation, review the historical information in conformity with the applicable standards for a review, <u>as promulgated by the AICPA.</u></i>	Deleted par. 5.18b
Written representations In the subject-matter chapters, provide a complete list of all the required management representations.	PWC	We agree with the ASB’s decision, which is reflected in the proposed SSAE, to retain in the subject-matter specific standards the required reporting elements even though some of them may be repetitive with those in the examination, review or agreed-upon procedures chapters. We believe it is important not to lose clarity or nuances of meaning simply to avoid repetition, which is why we continue to recommend, as stated in our comment letter on the Phase I proposal, that all of the requirements related to management representations required by chapter 2, “Examination Engagements,” or by chapter 3, “Review Engagements,” as relevant, be included in the subject-matter specific chapters as this would help practitioners easily identify all of the required representations in one place, even if it is somewhat repetitive. In that	Revised par. 5.21 to indicate that the practitioner should request the representations from the responsible party Did not add all of the representations

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5.21 6.13 7.21 Subject-matter chapters not clear re additional representations required of engaging party when not the same as responsible party (paragraphs 2.42(a) and 3.33(a))		regard, we believe the subject-matter specific chapters in the proposed SSAE lack clarity on the additional representations required of the engaging party by paragraphs 2.42(a) and 3.33(a), as applicable, when the engaging party is not the responsible party as the subject-matter specific chapters often discuss additional reps to be obtained but do not discuss or reference the paragraphs when the engaging party is not the responsible party. Repeating the relevant representation requirements from chapters 2 and 3 in each of the subject-matter specific chapters would remedy this.	required by chapter 2.
5.21	PWC	Par. 5.21: In the introductory language preceding the subparagraphs, we suggest moving the phrase “from the responsible party” so that it appears immediately following “the practitioner should request,” consistent with the presentation in paragraph 5.22.	Made this change.
5.22(a)	PWC	Par. 5.22(a): We suggest replacing “its judgment” with “the responsible party’s judgment” to be more consistent with the presentation in paragraph 5.21(a).	Made this change
Required written assertion is in addition to required written representations. 5.23	TIC	Paragraphs 5.23 and 5.25(m)—Need for a Written Assertion Paragraph 5.25(m) is the first time in Chapter 5 that the need for a written assertion on the subject matter has been mentioned. Since the practitioner will be reporting directly on the subject matter of a forecast or projection, the written assertion will not be included in the accountant’s examination report. TIC believes the need to obtain the written assertion should be mentioned earlier in this chapter. Practitioners may not recognize the representation in paragraph 5.23 as the equivalent of the written assertion. TIC recommends modifying paragraph 5.23 to clarify that this representation is the same as the written assertion required by paragraph 2.8.	Did not make this change. The requirement to obtain an assertion is in chapter 2. .
5.24	TIC	Paragraph 5.24 and 5.28(c)—Scope Limitations and Qualified Opinions Paragraph 5.24 states that the responsible party’s refusal to provide written representations represents a scope limitation sufficient to preclude an unqualified opinion. This language seems inconsistent with paragraph 5.28(c), which states that any scope limitation would require a disclaimer of opinion. TIC believes the standard should use the phrase “sufficient to preclude an unqualified opinion” only when there are multiple types of modified opinions that could be used by the practitioner. Chapter 2 of the General Attestation ED does not require a	Changed par. 5.24 to require the practitioner to disclaim an opinion or withdraw from the engagement, if withdrawal is possible under law or

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		disclaimer of opinion when the responsible party refuses to provide written representations. It just precludes an unqualified opinion and offers multiple types of modified opinions that could apply. However, paragraphs 5.28(c) and 5.A30 are consistent with AT 301.38(c) and .40, which very clearly state that a qualified opinion is not appropriate when a scope limitation exists in an engagement involving prospective financial information. TIC therefore requests that the requirement in paragraph 5.24 be made consistent with the verbiage in paragraph 5.28(c).	regulation.
Change “obtain” to “request” 5.24	Deloitte	Paragraphs 5.21 and 5.22 require that the practitioner should <i>request</i> from the responsible party written representations, while paragraph 5.24 requires that the written representations be <i>obtained</i> . We recommend that the language be consistent and that the word “ <i>request</i> ” be used.	Changed “obtain” to “request.”
5.24	PWC	<p>Par. 5.24: We suggest the edits below to make this paragraph more consistent with the analogous guidance in paragraph 13 of chapter 6 of the proposed SSAE and paragraph 22 of chapter 7 of the proposed SSAE, and with the clarity drafting conventions:</p> <p>5.24 In an examination of prospective financial information, the practitioner should obtain from the responsible party the written representations required by chapter 2 of the attestation standards and paragraphs 5.21 or 5.22, even if the engaging party is not the responsible party.7 The alternative to obtaining the required written representations provided for in chapter 2 is not permitted applicable in an engagement to examine prospective financial information.8 The responsible party's refusal to furnish the written representations required by chapter 2 of the attestation standards and paragraphs 5.21 or 5.22 constitutes a limitation on the scope of the engagement sufficient to preclude an unmodified unqualified opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement.</p> <p>Also, see suggested edits to the equivalent paragraphs in the other chapters.</p>	<p>Changed “applicable” to “permitted.”</p> <p>The phrase that includes the word “unqualified” was deleted.</p>
5.24	GAO	<p>In certain circumstances, law or regulation will not allow a practitioner to withdraw from an engagement when withdrawal would otherwise be appropriate under the attestation standards. As such, we recommend that paragraphs 5.24 be revised as follows</p> <p>5.24. In an examination of prospective financial information, the practitioner should obtain from the responsible party the written representations required by chapter 2 and paragraphs 5.21 or 5.22, even if the engaging party is not the responsible party. The alternative to obtaining the required written representations provided for in chapter 2 is not permitted in an engagement to examine prospective financial information. The responsible party's refusal to furnish the written representations required by chapter 2 and paragraphs 5.21 or 5.22 constitutes a limitation on the scope of the engagement sufficient to preclude an unqualified opinion and may be sufficient to cause the practitioner to withdraw from the examination</p>	Made this change.

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		engagement, when withdrawal is possible under applicable laws or regulations. (Ref: par. 5.A22)	
5.A22 Do not use terms “management” and “responsible party” interchangeably.	McGladrey	Paragraph 5.A22 includes the phrase “management’s expectations are critical to the forecast or projection and therefore need to be confirmed by the responsible party.” Management and the responsible party will often, but not always, be the same. Therefore, we believe this phrase should be revised to state, “the responsible party’s expectations are critical to the forecast or projection and therefore need to be confirmed by the responsible party.” This is one example of where the two terms, “management” and “responsible party” should not be used interchangeably, and therefore we suggest all such terms in the requirement and application paragraphs of the standard be evaluated to determine specifically which term is intended.	Made this change.
When examination of prospectives is part of a larger engagement, is it “appropriate” or “optional” to expand the report to describe the entire engagement? 5.A26	TIC	<p>Paragraph 5.A26—An Examination of Prospective Financial Statements That Is Part of a Larger Engagement</p> <p>One TIC member firm often is engaged to perform an examination of prospective financial statements as part of a larger engagement. Paragraph 5.A26 currently states, in part:</p> <p style="padding-left: 40px;"><i>When the practitioner’s examination of prospective financial statements is part of a larger engagement, for example, a financial feasibility study or business acquisition study, it is appropriate to expand the report on the examination of the prospective financial statements to describe the entire engagement.</i></p> <p>This member noted that, for certain engagement types (e.g., New Markets Tax Credit projects), practitioners may want the flexibility to issue a standalone report on the forecast or projection. TIC therefore recommends that paragraph 5.A26 be revised as follows:</p> <p style="padding-left: 40px;"><i>When the practitioner’s examination of prospective financial statements is part of a larger engagement, for example, a financial feasibility study or business acquisition study, it is appropriate to the practitioner may expand the report on the examination of the prospective financial statements to describe the entire engagement.</i></p>	Made this change.
Indicate that management is not always the responsible party 5.25, 5.34 and 5.A40-5.A41	TIC	<p>Paragraphs 5.25, 5.34 and 5.A40-5.A41—Reference to the Responsible Party</p> <p>TIC noted that references to the responsible party are generally used consistently (with one exception noted below) throughout the requirement and application paragraphs in the ED, but the illustrative reports always refer to management in lieu of the responsible party. Although TIC understands that this inconsistency is deliberate and is meant to illustrate in the reports that management is usually the responsible party, TIC believes the following sentence (adapted from extant AT 301.19, footnote 10) needs to be inserted as a footnote to each report illustration in the ED:</p> <p style="padding-left: 40px;"><i>If the responsible party is other than management, the references to management in the</i></p>	Made this change.

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		<p><i>standard reports should be changed to refer to the party who assumes responsibility for the assumptions.</i></p> <p>In addition, the language in paragraph 5.25(e)(i) should refer to the responsible party rather than management to be consistent with the language in paragraph 5.34(f).</p>	Made this change.
<p>Move footnote.</p> <p>In par 5.A22, add paragraphs 2.46(a) and 2.42(b) to the paragraph reference</p> <p>5.A22</p>	PWC	<p>Par. 5.A22: This paragraph provides application guidance related to the requirement in paragraph 5.24. We suggest moving the footnote reference at the end of the last sentence so that it follows the parenthetical phrase “making inquiries of the responsible party and restricting the use of the report.”</p> <p>We also suggest extending the footnote reference to include paragraph 2.46(a) as well as 2.42(b) since paragraph 2.46(a) addresses the report restriction.</p>	<p>Makes sense but the clarity convention is to place the footnote at the end of the sentence.</p> <p>Par. 2.42b presents the option</p> <p>Par. 2.46a requires that the report be restricted</p> <p>Par. 2.61a (iv), which requires documentation of the oral responses, is also relevant to the option but do all of these paragraphs need to be referenced?</p> <p>.</p>
<p>5.24 6.15 6.16 7.24</p> <p>Make reports look like those in the clarified SASs</p>	Akresh	My letter of October 22, 2013, indicated a need to improve reports similar to those in AU-C 700 and other AU-C sections. Those comments also apply to the reports in Chapters 4-7.	The ASB discussed this in January 2014 and decided not to implement this proposal.
5.24	McGladrey	Because AU-C 700, <i>Forming an Opinion and Reporting on Financial Statements</i> , requires the	The ASB discussed

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6.15 6.16 7.24 Status of report headings		auditor to include certain headings within the auditor’s report, we believe it would be helpful if chapter 2 addressed whether headings within the examination report are required, preferred, permitted or prohibited. Based on the extensive number of paragraphs that would be necessary for some reports, such as the one in example 3 of proposed chapter 6, we believe the use of report headings would be beneficial and therefore should be required. Requiring headings would also generate examination reports that are similar in structure to audit reports, which could be beneficial to users in aiding their understanding that both provide a high, but not absolute, level of assurance.	this in January 2014 and decided not to implement this proposal.
Change “unqualified” to “unmodified.” 5.24	Washington State	<p>In conjunction with the terminology changes instituted by the Clarified Statements on Auditing Standards, we recommend replacing the following underlined text with “unmodified”:</p> <p><i>5.24 In an examination of prospective financial information, the practitioner should obtain from the responsible party the written representations required by chapter 2 and paragraphs 5.21 or 5.22, even if the engaging party is not the responsible party.⁷ The alternative to obtaining the required written representations provided for in chapter 2 is not applicable in an engagement to examine prospective financial information.⁸ The responsible party’s refusal to furnish the written representations required by chapter 2 of the attestation standards and paragraphs 5.21 or 5.22 constitutes a limitation on the scope of the engagement sufficient to preclude an <u>unqualified</u> opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement. (Ref: par. 5.A22)</i></p>	The commenter is correct but the phrase “unqualified opinion” was subsequently deleted.
5.25(e)	GAO	<p>Because the responsible party may not always be management, we recommend that paragraph 5.25e be revised as follows:</p> <p style="margin-left: 40px;">e. a statement to identify</p> <p style="margin-left: 80px;">i. the responsible party and its responsibility for preparing and presenting the prospective financial information</p> <p style="margin-left: 80px;">ii. the practitioner’s responsibility for expressing an opinion on the prospective financial information based on the examination</p>	Changed “management” to “responsible party.”
5.25 and 5.26	GAO	<p>To better ensure that each of the required report elements for examinations of prospective financial information are clearly identified, including those report elements that are applicable only for examinations of financial projections, we recommend that paragraphs 5.25 and 5.26 be revised as illustrated in enclosure I.</p> <p><u>Proposed Changes to Requirement Paragraphs</u></p> <p>5.25 The practitioner’s examination report on prospective financial information should include the following elements, unless the practitioner is disclaiming an opinion, in which</p>	

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		<p>case items 5.25e(ii), 5.25f(i-iii), and 5.25g should be omitted:</p> <p>e. A statement to identify</p> <ul style="list-style-type: none"> i. <u>the responsible party and its responsibility for preparing and presenting the prospective financial information</u> ii. <u>the practitioner's responsibility for expressing an opinion on the prospective financial information based on the examination</u> <p>h. The practitioner's opinion about whether the prospective financial information is presented in conformity with the AICPA guidelines for the presentation of prospective financial information and</p> <ul style="list-style-type: none"> i. for financial forecasts, whether the underlying assumptions are suitably supported and provide a reasonable basis for the forecast ii. for financial projections, whether the underlying assumptions are suitably supported and provide a reasonable basis for the projection, given the hypothetical assumptions <p>ii. <u>for financial projections, whether the underlying assumptions are suitably supported and provide a reasonable basis for the projection, given the hypothetical assumptions</u></p> <p><u>n. For financial projections, the practitioner's examination report should include statements to</u></p> <ul style="list-style-type: none"> i. <u>identify the hypothetical assumptions for the projection</u> ii. <u>describe the special purpose for which the projection was prepared (Ref: par. 5.A23-5.A27)</u> <p>5.26. When a practitioner examines a projection, the practitioner's opinion regarding the assumptions should be conditioned on the hypothetical assumptions; that is, the practitioner should express an opinion on whether the assumptions provide a reasonable basis for the projection given the hypothetical assumptions. [moved to 5.A24] In addition to the required elements for a report on an examination of a forecast, a report on an examination of a projection should include an identification of the hypothetical assumptions, a statement describing the special purpose for which the projection was prepared, [moved to 5.25n] The practitioner's examination report on a financial projection should include an alert that restricts the use of the practitioner's report. The alert should</p>	<p>Changed 5.25e(i) to: "a statement that identifies the responsible party."</p> <p>Did not make the other changes.</p>

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		<p>a. state that the practitioner's report is intended solely for the information and use of the specified parties,</p> <p>b. identify the specified parties for whom use is intended, and</p> <p>c. state that the practitioner's report is not intended to be and should not be used by anyone other than the specified parties.</p> <p>When the engagement is also performed in accordance with government auditing standards, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph 5.26(a-c)</p> <p>d. describe the purpose of the practitioner's report, and</p> <p>e. state that the practitioner's report is not suitable for any other purpose.(Ref: par. 5.A23 and 5.A28–5.A29)</p>	
		<p><u>Proposed Changes to Application Paragraphs</u></p> <p>5.A23. The list of report elements in paragraphs 5.25-<u>5.26</u> constitutes all of the required report elements for an examination of prospective financial information, including the elements required by chapter 2 of the attestation standards.¹ Application guidance regarding the elements of an examination report is included in chapter 2 of the attestation standards.² (Ref: par. 5.25-<u>5.26</u>)</p> <p>5.A24. When a practitioner examines a projection, the practitioner's opinion regarding the assumptions should be <u>is</u> conditioned on the hypothetical assumptions; that is, the practitioner should <u>expresses</u> an opinion on whether the assumptions provide a reasonable basis for the projection <i>given the hypothetical assumptions</i>. (Ref: par. 5.25)</p> <p>5.A25. Example 1 in exhibit A of this chapter provides an illustration of a report on an examination of a financial forecast. <u>Example 2 in Exhibit A provides an illustration of an examination report on a financial projection.</u> (Ref: par. 5.25)</p> <p>5.A28. <u>Additional circumstances in which the practitioner's examination report is restricted are included in chapter 2 of the attestation standards.</u>³ Application guidance regarding <u>restricted use paragraphs</u> is included in chapter 2 of the attestation standards.⁴ (Ref: par. 5.26)</p> <p><u>3 Paragraph 2.52.</u></p>	<p>Changed to pars. 5.25-5.27.</p> <p>Did not make these changes.</p>

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		<p><u>4 Paragraph 2.A86-2.A89.</u></p> <p>5.A30 Example 2 in Exhibit A provides an illustration of an examination report on a financial projection. (Ref: par. 5.26)</p>	
5.25(f)	TIC	<p>In the chapter on Forecasts and Projections, AICPA v. American Institute of Certified Public Accountants is used interchangeably throughout this section (e.g., 5.25f[ii] v. 5.25f[i]). The name should be spelled out the first time with AICPA in parentheses; the acronym should be used thereafter. If the Board believes that AICPA is a recognized acronym that does not need to be spelled out, then TIC recommends deleting “American Institute of Certified Public Accountants” wherever it may appear in the ED.</p>	<p>Per AICPA Style Editorial Manual:</p> <p>“Acronyms that are widely understood by an auditing and accounting audience need no spelling out on first mention. (Obviously, context is paramount. If the context suggests that a spell out is needed for usability, then spell out.)”</p>
<p>Effect of departure from presentation guidelines when forecast is prepared using cash basis.</p> <p>5.A32</p>	Deloitte	<p>Paragraph 5.A32 contains illustrative explanatory and opinion paragraphs for use when a financial forecast contains a departure from AICPA guidelines for presentation of a financial forecast. The forecast is based on the cash basis of accounting. As such it would appear that any departure would have a material and pervasive impact on the financial forecast, given that the cash basis of accounting would affect many, if not all, of the line items in the financial forecast. We therefore recommend that the opinion paragraph be reworded and presented as an adverse opinion.</p>	<p>Deleted par. 5.A32</p> <p>Deleted the option to issue a qualified opinion.</p>
<p>5.28 and 5.A32</p> <p><i>Quantifying financial effects of a misstatement</i></p>	TIC	<p>Paragraph 5.28 and 5.A32: Quantification of the effects of a material departure from the presentation guidelines in the accountant’s examination report</p> <p>Issue 1: Paragraphs 5.28 and 5.A32 do not address whether the effects of a material departure from the presentation guidelines should be quantified in the accountant’s examination report. Chapter 2 (Examination Engagements), paragraph 2.A13, provides general guidance for examination engagements on this matter (but not in the context of the accountant’s report):</p>	<p>Deleted par. 5.A32</p> <p>Chapter 2 does not require quantification.</p>

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		<p><i>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.</i></p> <p>TIC questions whether certain engagements involving forecasts and projections might represent one of the exceptions cited in paragraph 2.A13 since certain engagements might be “designed to meet the particular information needs of specific users.” TIC requests the Board to reconsider whether the quantification of the effects of material departures/misstatements should be a requirement for engagements involving prospective financial information. TIC believes, in some cases at least, it would be difficult to quantify because practitioners would have to come up with alternative assumptions to do so; however, this might not always be the case, depending on the nature of the departure that led to the qualified opinion.</p> <p>Issue 2: If the Board decides that quantification should be required in some circumstances, TIC also questions whether the standards should also allow for a practicability exception for this report disclosure. If so, the exception language could be similar to that found in AU-C 705.18, which states that an auditor would include in the explanatory paragraph a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify them, then the auditor would so state in the paragraph.</p>	
5.A32 and 5.A33 <i>Quantifying financial effects of a misstatement</i>	McGladrey	We believe that guidance similar to AU-C 705.18 should be added to chapter 2 to clarify that practitioners are not required to quantify the financial effects of a misstatement if the responsible party does not.	Deleted par. 5.A32 Chapter 2 does not require quantification, .
5.A32 and 5.A33	McGladrey	<p><i>Modifications to the Practitioner’s Opinion</i></p> <p>Paragraphs 5.A32 and 5.A33 refer to an “explanatory paragraph.” So as to be consistent with the language in AU-C 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>, we suggest changing “explanatory paragraph” to “basis for modification paragraph.”</p> <p>.</p>	Chapter 2 does not use the phrase “basis for modification paragraph.” Deleted par. 5.A32.
AU-C 705 <i>Modifications to the Opinion in the Independent Auditor’s Report,</i>	KPMG	<p><i>Chapter 5, Financial Forecasts and Projections; Chapter 6, Reporting on Pro Forma Financial Information; and Chapter 7, Compliance Attestation</i></p> <p>AU-C 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>, paragraphs .17-.28 require the auditor to include specific information regarding the matter(s) giving rise to the modification (Basis for Modification), the opinion, and the auditor’s responsibilities. Paragraph .30f of AU-C 935 also makes reference to the requirements of AU-C 705. As the objectives of an examination engagement, including a compliance examination, are similar to an audit</p>	Chapter 2 has been revised to include a paragraph that requires the practitioner to provide a description of the matters giving rise to the modification as

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		<p>engagement we believe that the Board should include the applicable requirements of AU-C 705 paragraphs .17-.28 in the Proposed SSAE paragraph 2.52h. Making reference from paragraph 7.26 of the Proposed SSAE to paragraph 2.52h will then incorporate the requirements of extant AT 601.65-.66. The recommended adjustment to paragraph 2.52h will also incorporate the requirements in extant AT Section 301 and AT Section 401 that were moved to application paragraphs within chapters 5 and 6, respectively.</p>	<p>well as pars. that align with pars. 24-28 of AU-C 705.</p> <p>Did not add the content of pars. 17-23 of AU-C 705</p>
5.28-5.29	TIC	<p>Paragraphs 5.28-5.29—Adverse Opinions for the Failure to Disclose Significant Assumptions</p> <p>The last sentence of paragraph 5.28(a) and the first sentence of paragraph 5.29 discuss the same requirement but use slightly different words. Paragraph 5.29 also discusses disclosure in the opinion as well as the type of modified report that would be required. The Board may wish to consider merging the paragraphs.</p> <p>If both paragraphs are retained, then the language used should be consistent. For example, paragraph 5.29 refers to the disclosure of the summary of significant assumptions in the report, as well as significant assumptions, in general. Paragraph 5.28 refers only to significant assumptions. Paragraph 5.29 also refers to “the practitioner’s judgment at the time” (which is taken from the Guide, paragraph 17.10); paragraph 5.28 does not qualify the practitioner’s professional judgment to any particular time period.</p>	<p>Deleted Par. 5.29.</p> <p>Added 3 requirement paragraphs after paragraph 5.10 that address these comments</p>
5.29	TIC	<p>Paragraph 5.29—Presentations That the Practitioner Should Not Examine</p> <p>TIC believes the first two sentences of paragraph 5.29, which discuss the practitioner’s reporting responsibility when significant assumptions are not disclosed in the presentation, are misplaced. TIC recommends merging these sentences with paragraph 5.28(b) or presenting them as a separate sub-bullet under paragraph 5.28. This proposed change would then allow all circumstances leading to a modified opinion to be listed together in one paragraph.</p> <p>The last two sentences of paragraph 5.29 describe two departures from the presentation and disclosure requirements that would prohibit the practitioner from performing an examination engagement on a forecast or projection. TIC believes this guidance is incomplete and should be retained in paragraph 5.29 and expanded further,</p> <p>TIC recommends that the scope of paragraph 5.29 be revised to include a summary of the circumstances that would require the practitioner to withdraw from an examination engagement. In addition to the two departures mentioned in the ED, TIC suggests adding the following additional items:</p>	<p>Deleted paragraph 5.29</p> <p>Added 3 requirement paragraphs after paragraph 5.10 that address these comments</p>

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		<ul style="list-style-type: none"> • Financial projections that the client wants to distribute for general use • Financial forecasts for which no reasonably objective basis exists • The responsible party's refusal to furnish written representations in certain circumstances (Paragraph 5.24 states that either a modified opinion or withdrawal would be required.) <p>TIC also recommends adding application guidance to paragraph 5.29 that would clarify that the practitioner may not become aware of one or more of the listed items until after the engagement has begun and is nearly complete. The guidance should refer back to paragraph 1.28 of the Common Concepts chapter which states the practitioner's responsibilities when it is discovered that the engagement has been accepted and that one or more of the preconditions for an attestation engagement is not present. It should also state that if the above matters cannot be resolved to the practitioner's satisfaction, the practitioner may need to withdraw from the engagement.</p>	
5.A34	Deloitte	<p>Paragraph 5.A34 The illustrative report language for the disclaimer of opinion includes the phrase "prepared in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants" in the introductory paragraph. We believe this may be interpreted as a factual statement to mean that the financial forecast has been appropriately prepared in accordance with such guidelines. We recommend that this phrase be deleted from the introductory paragraph as follows:</p> <p>5.A34. We were engaged to examine the accompanying financial forecast of XYZ Company, which comprises the forecasted balance sheet as of December 31, 20XX and the related forecasted statements of income, stockholders' equity, and cash flows for the year then ending prepared in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants. XYZ Company's management is responsible for the forecast.</p>	Made this change.
5.32	PWC	Par. 5.32: We suggest deleting footnote 16 at the end of the introductory paragraph preceding subparagraphs (a)-(c) because it appears the reference to 2.47 in the second sentence of the paragraph is incorrect.	Did not make this change. The footnote reference to par. 2.47 is related to the phrase, "In addition to the requirements in chapter 2..."
5.A36	TIC	Paragraph 5.A36—Scope of Examination Procedures for Partial Presentations TIC recommends re-wording the third sentence of paragraph 5.A36 for clarity. The sentence currently states:	

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		<p><i>The practitioner may find it necessary for the scope of the examination of some partial presentations to be similar to that for the examination of a presentation of prospective financial statements.</i></p> <p>TIC suggests the following alternative:</p> <p><i>The nature and extent of the procedures performed in an examination of some partial presentations may need to be similar to the procedures performed in an examination of a full presentation of prospective financial statements.</i></p>	Made this change.
5.31	TIC	<p>Paragraph 5.31—Limitations on the Usefulness of Partial Presentations</p> <p>Paragraph 5.31 states: <i>Because partial presentations are generally appropriate only for limited use, reports on partial presentations of both forecasted and projected information should include a description of any limitations on the usefulness of the presentation.</i></p> <p>TIC requests application guidance that would provide an example of typical limitations on the usefulness of partial presentations. TIC is uncertain what the additional limitations would be for partial v. full presentations, and is concerned that, without examples, appropriate limitations may not be cited in the examination reports on partial presentations. TIC noted that Chapter 23 (Partial Presentations) of the Guide does not include any examples or additional guidance.</p>	Did not add application guidance because chapter 23 of the guide contains multiple examples.
5.32	Deloitte	<p>Paragraph 5.32</p> <p>We noted a reference in paragraph 5.32<i>b</i> to “such a service” and recommend that the language be clarified to specify the service being performed. We also recommend that the term “Other practitioner,” as defined in chapter 1, be used in paragraph 5.32<i>c</i>. See suggested edits below:</p> <p>5.32. Chapter 2 of the attestation standards contains requirements regarding the practitioner’s responsibility when the practitioner permits the practitioner’s examination report to be included in a document that contains the subject matter or assertion and other information. In addition to the requirements in chapter 2, the practitioner whose report on prospective financial statements is included in a document containing historical financial statements should not agree to the use of the practitioner’s name in the document unless one of the following applies:</p> <ol style="list-style-type: none"> a. The practitioner has compiled, reviewed, or audited the historical financial statements and the practitioner’s report accompanies them. b. The historical financial statements are accompanied by an indication by the responsible party or the practitioner that the practitioner has not performed a compilation, review, or audit such a service on the historical financial statements and that the practitioner assumes no responsibility for them. 	Made this change.

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		<p>c. An other practitioner has compiled, reviewed, or audited the historical financial statements and that <u>other</u> practitioner's report is included in the document.</p>	Made this change
5.33	TIC	<p>Paragraph 5.33—Presentations for Which the Practitioner Should Not Perform Agreed-Upon Procedures</p> <p>This comment is similar, in part, to TIC's comment on paragraph 5.29 for examination engagements. Paragraph 5.33 prohibits a practitioner from performing an agreed-upon procedures engagement if the summary of significant assumptions is omitted. However, this situation may only come to light after a practitioner is already engaged and may have already completed most of the agreed-upon procedures related to the engagement. TIC recommends that an application paragraph be added to paragraph 5.33 to clarify the practitioner's responsibilities, especially whether the practitioner would be required to withdraw from the engagement.</p>	Made this change. See new par. 5.13 which adds a requirement for the practitioner to withdraw in these circumstances.
5.A38	Deloitte	<p>Paragraph 5.A38</p> <p>We recommend that the application guidance in this paragraph be deleted as it is covered by the requirement in paragraph 5.34kiii</p>	Deleted par. 5.A38.
5.A40	Deloitte	<p>Paragraph 5.A40. Example 1</p> <p>We noted an instance of an inconsistent use of a phrase in the scope paragraph when compared to the other examples in paragraph 5.A40. We recommend that it be amended as follows:</p> <p>5.A40 Example 1: Report on an Examination of a Financial Forecast</p> <p>...</p> <p>Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is free from material misstatement based on the guidelines referenced previously <u>above</u>. An examination includes performing procedures to obtain evidence about whether the forecast is presented in conformity with the guidelines referenced above. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about the forecast. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.</p>	The words "guidelines referenced above" were replaced with "the identified criteria" to conform with chapter 2.

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5.A40	PWC	<p>Par. 5.A40: In Example 1, the second sentence of the second paragraph ends with “previously” instead of “above,” apparently to avoid redundancy with the next sentence. However, we suggest changing “previously” to “above” to be consistent with Example 2, and also to be consistent with the illustrative examination reports in Chapter 2 which also use “above” in the analogous sentence.</p> <p>Par. 5.A40: In Example 2, we suggest adding the phrase “given the hypothetical assumptions” at the end of the opinion paragraph because that phrase appears to be required by paragraphs 5.25(h) and 5.26.</p>	<p>The words “guidelines referenced above” were replaced with “the identified criteria” to conform with chapter 2.</p> <p>Did not make this change. The phrase is already in the sentence.</p>
5.A41	PWC	<p>Par. 5.A41: We suggest making the edits shown below to the first and last sentences of the first paragraph to be consistent with the wording of reports in chapter 4:</p> <ul style="list-style-type: none"> • “We have applied the following procedures enumerated below . . .” • “Consequently, we make no representation regarding the sufficiency of the following procedures described below . . .” <p>Finally, we suggest editing the penultimate sentence in the paragraph following the enumeration of the procedures and findings as follows to be consistent with the wording of this phrase in the examination reports: “Accordingly, we do not express an opinion or conclusion about whether the prospective financial statements are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions are suitably supported and or provide a reasonable basis for the presentation.”</p>	<p>Made this change.</p> <p>Made this change</p> <p>Did not make this change</p>
Compilations of prospective financial statements	Washington State	We concur with the ASB’s proposal to eliminate compilations of prospective financial information from the SSAEs as these are not attestation engagements.	Supportive
Compilations of prospective financial statements	Northern Illinois University	<p>We agree with the new position that "compilations are not attestation engagements." The current position that compilations <u>are</u> attestations creates quite a bit of confusion for our students; they intuitively don't feel that an "assembly" process (with no assurance given) is an attestation. Also, they fight the non-sequitur: "Compilations are attestations, and attestations require independence, but for compilations you need not be independent."</p> <p>We agree it makes sense to "re-park" compilations of prospective financial information to SSARS.</p> <ul style="list-style-type: none"> • In our CPA Review materials, we currently have a boxed note in the margin to say "Usually, if compile F/S, you would use SSARS. But if compile prospective F/S, use 	Supportive

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		SSAE (AT 301)."	
Make conforming changes to AICPA guide <i>Prospective Financial Information</i>	PWC	<p>Conforming Changes to AICPA Guide Prospective Financial Information Implementation of Chapter 5, "Financial Forecasts and Projections," by practitioners is dependent on familiarity with the AICPA Guide <i>Prospective Financial Information</i> (the Guide). Some of the content of the Guide which has been incorporated into chapter 5 has been revised. For example, requirements from chapter 15 paragraph 10 of the Guide that the practitioner "should obtain knowledge of the entity's business, accounting principles, and the key factors on which its future financial results appear to depend" and "should focus" on certain identified areas have become application guidance in paragraph 5.A12 of the proposed SSAE. As another example, matters that the practitioner "should consider" in paragraph 15.29 of the Guide have become "appropriate considerations" in paragraph 5.A18 of the proposed SSAE. Not all of the changes relate to a recharacterization of requirements as application guidance. For example, paragraph 5.20 of the proposed SSAE states that the practitioner "should conclude" whether prospective financial statements, including related disclosures, should be revised because of certain matters whereas paragraph 15.36 of the Guide uses the terminology "should consider." We believe the Guide should be conformed to Chapter 5 and made available concurrent with the issuance of the clarified attestation standards to avoid creating confusion in practice.</p>	Timing to be determined.
Requirements in the guide that are not in chapter 5.	TIC	<p>REQUIREMENTS IN THE PROSPECTIVE FINANCIAL INFORMATION GUIDE THAT WERE NOT INCLUDED IN CHAPTER 5 OF THE ED</p> <ul style="list-style-type: none"> • Paragraphs 10.17-10.18 of the Guide, cited below, include requirements that have not been included in the Forecasts and Projections chapter relating to a change in engagement to a lower level of service: <p><i>10.17 In complying with the request to change the nature of the engagement, the practitioner should evaluate the possibility that information affected by the scope restriction may be inappropriate, incomplete, or otherwise misleading. If the practitioner believes that the information so affected is misleading, he or she should try to obtain that information and consider whether he or she should issue, for example, an adverse examination report or withdraw from the engagement. The practitioner should not change the engagement to a lower level of service if he or she concludes that the responsible party has no reasonably objective basis to present a forecast.</i></p> <p><i>10.18. If the engagement is changed⁸, upon completion of the engagement the practitioner should issue an appropriate report. The report should not include reference to the original engagement or scope limitations that resulted in the changed engagement, or, in the case of a compilation, any examination procedures that may</i></p>	Added par. 90.68 of Statements on Standards for Accounting and Review Services to chapter 1.

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		<p><i>have been performed.</i> Footnote 8 refers to the potential need for a new written understanding (engagement letter).</p> <p>TIC noted that paragraphs 1.29 and 1.A48 of the General Attestation ED discuss acceptance of changes in the terms of an engagement but are not as specific as paragraphs 10.17-10.18 of the Guide. TIC requests the addition of the cited requirements to the final standard for Chapter 5.</p> <ul style="list-style-type: none"> • Paragraph 17.22 of the Guide, cited below, include requirements that have not been included in the Forecasts and Projections chapter relating to reporting when the financial forecast includes disclosures about periods beyond the forecast period: <p style="margin-left: 40px;"><i>While performing an examination engagement, if the practitioner has reservations about the disclosures or if he or she is unable to apply procedures such disclosures considered necessary in the circumstances, the practitioner should discuss such matters with the responsible party and propose appropriate revision of the disclosures. If the responsible party will not agree to revisions of the disclosures, the practitioner should either modify the report on the financial forecast or withdraw from the engagement.</i></p> • Paragraph 10.19 of the Guide also addresses a practitioner’s responsibilities when a financial forecast contains disclosures about periods beyond the forecast period and includes some “should consider” requirements that have not been included in the standard. TIC requests the addition of the cited requirements to the final standard for Chapter 5. • Paragraphs 19.26, 19.28 and 19.29 of the Guide include requirements that have not been included in the Forecasts and Projections chapter relating to a change to an agreed-upon procedures engagement from another form of engagement. This guidance has not been included in Chapter 4 of the General Attestation ED. TIC requests the addition of the cited requirements to the final standard for Chapter 5. 	<p>Did not make this change.</p> <p>Did not make this change.</p> <p>Did not make this change.</p>
Chapter 6, “Reporting on Pro Forma Financial Information”			
6.1	TIC	<p>Paragraph 6.1—References to the General Attestation Standards</p> <p>Paragraph 6.1 seems to be missing references to Chapters 2 (Examination Engagements) and 3 (Review Engagements) of the General Standards. TIC requests that these references be added to complete the paragraph.</p>	Made this change
6.1	McGladrey	<p>Paragraph 6.1 specifically references chapter 4, but does not reference chapter 2 or 3. Because review and examinations of pro forma financial information are discussed in subsequent paragraphs of chapter 6, we suggest that paragraph 6.1 also reference chapters 2</p>	Made this change.

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6.1 and 6.2	Deloitte	<p>and 3.</p> <p>Paragraph 6.1 We recommend that the last sentence relating to when a practitioner is performing agreed-upon procedures relating to pro forma financial information is moved to paragraph 6.2. The latter paragraph deals specifically with those instances when chapter 6 does not apply. See suggested edits below:</p> <p>6.1 This chapter of Statements on Standards for Attestation Engagements (SSAEs, or attestation standards) contains performance and reporting requirements and application guidance for practitioners examining or reviewing pro forma financial information. Chapter 1, “Concepts Common to All Attestation Engagements,” and chapter 4, “Agreed-Upon Procedures Engagements” of the attestation standards are applicable when a practitioner is performing an agreed-upon procedures engagement related to pro forma financial information.</p> <p>6.2 This chapter does not apply when</p> <ul style="list-style-type: none"> • <u>a practitioner is performing an agreed-upon procedures engagement related to pro forma financial information. Chapter 1, “Concepts Common to All Attestation Engagements,” and chapter 4, “Agreed-Upon Procedures Engagements” of the attestation standards are applicable to such engagements.</u> • certain requesting parties request a comfort letter or ask a practitioner to perform procedures on pro forma financial information in connection with an offering. AU-C section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>, is applicable to such engagements. 	Made this change.
6.4 and 6.5	Deloitte	<p>Paragraphs 6.4 and 6.5 One objective included in chapter 2, paragraph 2.3c is that the practitioner is to “communicate further as required by relevant chapters of the attestation standards.” We believe this objective should be included in paragraphs 6.4 and 6.5.</p>	There are no additional communication requirements in this chapter. Applicable communication requirements are in chapters 2 and 3.
6.6	Deloitte	<p>Paragraph 6.6 We recommend that the wording pertaining to the definition “Criteria for the preparation of pro forma financial information” be further refined to include the concept of management’s assumptions noted in the objectives in paragraphs 6.4a<i>i</i> and 6.5a<i>i</i>. See the following suggested edits:</p> <p>6.6a. Criteria for the preparation of pro forma financial information. The basis assumptions disclosed in the pro forma financial information that management used as a</p>	Added the words “including the assumptions underlying the pro forma financial information” at the end of the definition.

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		<p>basis to develop the pro forma financial adjustments. We believe that the list reflected in paragraph 6.6b as it relates to the definition “Pro forma financial information” should be reflected as application guidance. See the following suggested edits:</p> <p>6.6b. Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date. Pro forma financial information is commonly used to show the effects of transactions such as the following:</p> <ul style="list-style-type: none"> • Business combination • Change in capitalization • Disposition of a significant portion of the business • Change in the form of business organization or status as an autonomous entity • Proposed sale of securities and the application of the proceeds <p>(Ref: par.6.A2-6.A4)</p> <p><u>New application guidance paragraph: Pro forma financial information is commonly used to show the effects of transactions such as the following:</u></p> <ul style="list-style-type: none"> <u>• Business combination</u> <u>• Change in capitalization</u> <u>• Disposition of a significant portion of the business</u> <u>• Change in the form of business organization or status as an autonomous entity</u> <u>• Proposed sale of securities and the application of the proceeds.</u> 	<p>Moved the bulleted material to application guidance.</p>
6.6 Definition of	GAO	<p>We recommend that the term criteria for the preparation of pro forma financial information in chapter 6 be revised as follows:</p> <p>Criteria for the preparation of pro forma financial information. The basis disclosed in the pro forma financial information that management used to develop the pro forma financial information <u>and the assumptions underlying the pro forma financial information.</u></p>	<p>Added the words “including the assumptions underlying the pro forma financial information” at the end of the definition.</p>
6.A5	Deloitte	<p>Paragraph 6.A5 There are two separate and distinct concepts being addressed in this application guidance paragraph and, consequently, we recommend that each concept have its own reference number. Further, the phrase “readily available” applies not only to historical interim financial information (paragraph 6.8a), but also to historical financial statements (paragraph 6.8a) and</p>	

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		<p>the audit report (paragraph 6.8b). Consequently, we recommend that the application guidance be expanded as follows:</p> <p>6.AX Historical financial statements, historical interim financial information, and audit reports are is deemed to be <i>readily available</i> if they are it is obtainable by a third party user without any further action by the entity. (For example, historical interim financial information on an entity’s website may be considered readily available, but being available upon request is not considered readily available.) (Ref: par. 6.8a)</p>	<p>Made these changes in new par. 6.A7.</p>
6.7	PWC	<p>Par. 6.7: We recommend moving this paragraph out of the “Requirements” section to become par. 6.3 in the “Introduction” section, which would be more consistent with the placement of the equivalent paragraphs in chapters 5 and 7 of the proposed SSAE. We also suggest editing the paragraph as shown below so that it conforms more closely to paragraph 4 in chapter 5 and paragraph 6 in chapter 7:</p> <p>6.7 In addition to complying with this chapter of the attestation standards, a practitioner is required to comply with chapter 1 of the attestation standards, “Concepts Common to All Attestation Engagements,” and either chapter 2, “Examination Engagements,” for examinations of pro forma financial information, or chapter 3, “Review Engagements,” for reviews of pro forma financial information. In some cases, this chapter repeats or refers to requirements found in chapters 1, 2, and 3 1–3 when describing those requirements in the context of an examination or review of pro forma financial information. Although not all of the requirements in chapters 1, 2 and 3 1–3 are repeated or referred to in this chapter, the practitioner is responsible for complying required to comply with all of the requirements in chapters 1 and 2, or 1 and 3 1–3, as applicable.</p>	<p>Moved paragraph 6.7 to precede the “Requirements” section.</p> <p>Made these changes.</p>
6.8	Deloitte	<p>Paragraph 6.8</p> <p>The requirement in paragraph 6.8c contains a phrase “should believe” which we recommend be reworded because the practitioner may find it difficult to interpret. Further, we recommend that the matters in paragraph 6.12b be included in the requirement so that the practitioner does not have to unnecessarily refer to the paragraph below. We also recommend that the layout of paragraph 6.8b be reworked so as to provide additional clarity. See suggested edits as follows:</p> <p>6.8 In order to accept an attestation engagement to examine or review pro forma financial information, in addition to the preconditions for an attestation engagement included in chapter 1, “Concepts Common to All Attestation Engagements,” of the attestation standards, the practitioner ...</p> <p>b. should determine <u>that the historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based,</u> in the</p>	<p>Made this change.</p>

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		<p>case of</p> <p>i. an examination of pro forma financial information, that the historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based have been audited, or, in the case of</p> <p>ii. a review of pro forma financial information, have been audited or reviewed, and the audit report (or the review report, if issued) is included in the document containing the pro forma financial information (or is readily available). (Ref: par. 6.A6)</p> <p>c. should evaluate whether believe that the practitioner will be able to obtain the understanding of the accounting and financial reporting practices of each significant constituent part of the combined entity in a business combination that will enable the practitioner matters set forth in paragraph 6.12b to perform the procedures necessary to report on the pro forma financial information.</p>	<p>Did not make this change.</p>
6.8(b)	PWC	<p>Par. 6.8(b): Consider editing this subparagraph as follows to improve its readability:</p> <p>6.8b. should determine, in the case of an examination of pro forma financial information, that the historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based have been audited, (or, in the case of a review of pro forma financial information, audited or reviewed), and that the audit report (or the review report, if issued) is included in the document containing the pro forma financial information (or is readily available).</p>	<p>Did not make this change. Made the change to par. 6.8b shown in the previous row.</p>
6.A6	Deloitte	<p>Paragraph 6.A6</p> <p>The reference to “AR Section 60, <i>Framework for Performing and Reporting on Compilation and Review Engagements</i>” should be updated given the recent proposed Statement on Standards for Accounting and Review Services, <i>Framework for Performing and Reporting on Compilation and Review Engagements</i>, issued by the Accounting and Review Services Committee.</p> <p>Further, the footnote 3 reference is not attached to the correct sentence in the paragraph; it should be attached to the sentence ending “...when the review of interim financial information meets the provisions of that section.”</p>	<p>Updated the reference to refer to SSARS 21 (AR section 90, <i>Review of Financial Statements</i>.)</p> <p>Clarity convention is to place the footnote</p>

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6.9	GAO	<p>The term level of service is not used elsewhere within the attestation standards nor is it included in the definitions section of chapter 6. As such, we recommend that paragraph 6.9 be revised as follows:</p> <p>6.9. Because the practitioner's attestation risk relating to the pro forma financial information is affected by the scope of the engagement, providing the practitioner with assurance about the underlying historical financial information of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) to which the pro forma adjustments are applied, the level of <u>assurance obtained</u> by the practitioner on the pro forma information should not exceed that <u>obtained</u> on the historical financial statements (or, in the case of a business combination, the lowest level of <u>assurance obtained</u> on the underlying historical financial statements of any significant constituent part of the combined entity). (Ref: par. 6.A7)</p>	<p>Did not make this change</p> <p>The practitioner is limited by what the practitioner reported on, not how much assurance the practitioner actually obtained. (If the practitioner did enough work to support an audit but reported only on a review, the practitioner would be limited to a review.)</p>
6.10(b)(ii) Pro forma adjustments should be "factually supportable" rather than "suitably supported."	PWC	<p>Assessing the suitability of the criteria used in preparing and presenting pro forma financial information</p> <p>A requirement to assess the suitability of the criteria used to prepare and present the pro forma financial information has been introduced in paragraph 6.10 to conform to the requirements and application guidance in the proposed general chapters. We believe that paragraph 6.10(b)(ii), which requires that the pro forma adjustments be "suitably supported," should be changed to "factually supportable" to align with the corresponding requirement in paragraph 14(b)(ii) of International Standard on Assurance Engagements 3420, <i>Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus</i> (ISAE 3420). Furthermore, "factually supportable" is consistent with preparation requirements in Article 11 of Securities and Exchange Commission (SEC) Regulation S-X. We believe the introduction of different terms can be confusing and also unnecessary as there does not appear to be a practice issue in understanding the term "factually supportable." If the ASB's intent is to use "suitably supported" to allow for different pro-forma adjustments, this is not clear from the requirement or the application guidance in paragraph 6.A8. Our recommendation is to use "factually supportable" or alternatively, if the intent is that "suitably supported" changes what is an allowable pro forma adjustment compared to ISAE 3420 and SEC requirements,</p>	<p>Changed "suitably supported" to "factually supportable."</p>

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6.13	Deloitte	<p>then this should be clearly explained.</p> <p>Paragraph 6.13 initially requires that the written representations be <i>requested</i> from management and then in the penultimate sentence of paragraph 6.13, the practitioner is required to <i>obtain</i> from the responsible party the written representations. We recommend that the language be consistent with chapters 2 and 3, and therefore suggest use of “request”. Further, we recommend that the language reflected in paragraph 6.13 be consistent with that in paragraphs 6.4 and 6.5 “Objectives” as well as 6.10 “Assessing the Suitability of the Applicable Criteria.” See conforming edits below:</p> <p>6.13 In addition to the written representations from management required by chapter 2 for an examination <u>engagement</u> or by chapter 3 for a review <u>engagement</u>, the practitioner should request management to provide written representations that</p> <ul style="list-style-type: none"> • it is responsible for the assumptions used in determining the pro forma adjustments <u>and that the assumptions are suitably supported.</u> • the assumptions provide a reasonable basis for presenting all of the significant effects directly attributable to the <u>underlying</u> transaction (or event), that the related pro forma adjustments give appropriate effect to those assumptions, and that the pro forma column reflects the proper application of those adjustments, <u>and the pro forma information reflects the proper application of those adjustments</u> to the historical financial statements. • <u>the pro forma adjustments are consistent with the entity’s applicable financial reporting framework and its accounting policies under that framework.</u> • the significant effects directly attributable to the transaction (or event) are appropriately disclosed in the pro forma financial information, <u>the pro forma financial information is appropriately presented and discloses the significant effects directly attributable to the transaction (or event).</u> ... <p>In addition, the layout of the section “Written Representations” in chapter 5 is different from that of chapter 6, with the content of paragraph 6.13 being separated into two separate</p>	<p>Added “engagement.”</p> <p>Added a separate bullet stating, “the assumptions are factually supportable.”</p> <p>Deleted “all of” and added “underlying.” Did not make the other changes because the TF does not believe they are needed.</p> <p>Added this bullet.</p> <p>Made this change.</p> <p>Did not make these changes but made</p>

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		<p>paragraphs. We also noted some editorial differences that should be amended so as not to have unnecessary inconsistency between the requirements and application guidance in chapters 5 and 6. We recommend that the following edits be made:</p> <p>6.13 (new) The practitioner should obtain request request from the responsible party the written representations required by paragraph 6.12i and chapter 2 of the attestation standards for an examination engagement or chapter 3 of the attestation standards for a review engagement and paragraph 6.13, even if the engaging party is not the responsible party. The alternative to obtaining the required written representations provided for in chapter 2 of the attestation standards in for for an examination engagement and chapter 3 of the attestation standards for a review engagement is not permitted applicable applicable in an engagement to examine or review pro forma financial information. <u>The responsible party's refusal to furnish the written representations required by chapter 2 of the attestation standards for an examination engagement or chapter 3 of the attestation standards for a review engagement and paragraph 6.13 constitutes a limitation on the scope of the engagement sufficient to preclude an unqualified opinion and may be sufficient to cause the practitioner to withdraw from the examination or review engagement.</u> (Ref: par. 6.A12)</p> <p>6.A12. This chapter does not permit the practitioner to perform the alternative procedures described in chapter 2 of the attestation standards for an examination engagement and in chapter 3 of the attestation standards for a review engagement (making inquiries of the responsible party and restricting the use of the report) in an examination or review of pro forma financial information because the the management's assumptions, and the related pro forma adjustments that give appropriate effect to the assumptions, are critical to the pro forma financial information and therefore need to be confirmed by the responsible party.</p>	<p>similar changes, as shown in the next row.</p>
6.13	PWC	<p>Par. 6.13: In the first sentence of the introductory paragraph preceding the bullet points, we suggest capitalizing the first word. We also believe the concluding paragraph should be presented as a separate paragraph immediately following paragraph 6.13 and should be edited as shown below so that its placement and its content are more consistent with paragraph 24 of chapter 5 and paragraph 22 of chapter 7 of the proposed SSAE, which are comparable.</p> <p>6.14 The practitioner should obtain from the responsible party the written representations required by paragraph 6.13 6.13 6.12i and chapter 2 of the attestation standards for an examination or chapter 3 of the attestation standards for a review, even if the engaging party is not the responsible party.⁶ The alternative to obtaining the required written representations provided for in chapter 2 of the attestation standards in an examination and chapter 3, as applicable, of the attestation standards for a review is not permitted in an</p>	<p>Made these changes along with certain changes recommended in other comments, e.g., changed</p>

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		<p>engagement to examine or review pro forma financial information.⁷ <i>The responsible party's refusal to furnish the written representations required by chapter 2 and paragraph 6.13 constitutes a limitation on the scope of the examination engagement sufficient to preclude an unmodified opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement. The responsible party's refusal to furnish the written representations required by chapter 3 and paragraph 6.13 constitutes a limitation on the scope of the review engagement sufficient to cause the practitioner to withdraw from the review engagement.</i> (Ref: par. 6.A12)</p>	<p>"responsible party" to "management" and "obtain" to "request."</p>
6.A12	PWC	<p>Par. 6.A12: This paragraph provides application guidance related to the requirement in paragraph 6.14 shown above. We suggest editing it as shown below so that its wording is more consistent with paragraphs A22 in chapter 5 and A19 in chapter 7 of the proposed SSAE, which are comparable.</p> <p>6.A12 This chapter does not permit the practitioner to perform the alternative procedures described in chapter 2 of the attestation standards for an examination and in chapter 3 <i>of the attestation standards</i> for a review (making inquiries of the responsible party and restricting the use of the report)⁸ in an examination or review of pro forma financial information because the assumptions are critical to the pro forma financial information and therefore need to be confirmed by the responsible party.⁸ (Ref: par. 6.13)</p> <p>8 Paragraphs 2.42(b) <i>and 2.46(a)</i> and 3.33(b) <i>and 3.37(a)</i></p>	<p>The option is presented in pars. 2.42(b) and 3.33(b).</p> <p>Par. 2.46a and 3.37a require the report to be restricted.</p> <p>Par. 2.61 a (iv) and 3.52a (iv) require documentation of the oral responses.</p> <p>Do all of these paragraphs need to be referenced?</p> <p>AICPA Editorial instructs staff not to repeat "of the attestation standards."</p>
6.15 and 6.16	Deloitte	<p>Paragraphs 6.15 and 6.16</p> <p>We noted that there is a reference to the <i>period of time</i> that the pro forma information is being reported on in paragraph 6.15e; however, there are examples in paragraph 6.A22 where pro forma balance sheets are included in the audit report. We therefore recommend that the</p>	

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		<p>phrase <i>point in time</i> also be used.</p> <p>We also noted that the language in paragraph 6.15j does not appear to conform directly to the wording of the objectives reflected in paragraph 6.4. Further, it was noted that the phrase “pro forma amounts” has been introduced in paragraph 6.15j instead of “pro forma information” as used in the objectives and elsewhere in chapter 6. The phrase “pro forma amounts” is also used in the examples in paragraph 6.A22. We believe that there should be a consistent use of terms or that these terms be defined. See the following recommended edits:</p> <p>6.15 ...</p> <p>e. An identification of the pro forma financial information being reported on, including the period of, or point in, time to which the measurement or evaluation of the pro forma financial information relates</p> <p>6.15 ...</p> <p>j. A statement that</p> <ul style="list-style-type: none"> i. the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), the related pro forma adjustments give appropriate effect to those assumptions the transaction (or event), and the pro forma amountsinformation reflects the proper application of those adjustments to the historical financial statements <p>Note: Consistent changes would also need to be made to paragraph 6.16.</p>	<p>Made this change.</p> <p>Made these changes.</p>
<p>6.15g and 6.16g</p> <p>Identify who performed the audit or review of the historical f/s.</p>	<p>McGladrey</p>	<p><i>Reports on Pro Forma Financial Information</i></p> <p>We believe it would be helpful to practitioners if paragraphs 6.15.g and 6.16.g would require the examination report to state whether the audit/review of the historical financial information was performed by the practitioner or another auditor/accountant.</p>	<p>Made this change.</p>
<p>6.16(g)</p> <p>Inconsistency between pars. 6.16(g) 6.8(b) and 6.A6</p>	<p>PWC</p>	<p>Including the review report in a document containing the pro forma financial information</p> <p>Paragraph 6.16(g) requires the practitioner’s review report to include a reference to the financial statements from which the historical financial information is derived, and if the historical financial statements were reviewed, a statement that such financial statements were reviewed. If the pro forma financial statements are included in a public filing, such a statement, we believe, would require that a review report be filed with the interim financial information in</p>	<p>After the word “and” in the first sentence, revised par. 6.16g to state:</p> <p>i a statement that such financial</p>

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		<p>accordance with SEC rules and regulations.</p> <p>This reporting requirement is inconsistent with other requirements and application guidance in Chapter 6. Specifically, it is inconsistent with paragraph 6.8(b) which states that the review report, “if issued,” is included in the document containing the pro forma financial information, and related application guidance in paragraph 6.A6 that states that “if the review is performed under AU section 722, the review report is ordinarily not issued.” The SEC requirements render these statements irrelevant in the context of reporting on pro forma financial information when read with the reporting requirement in paragraph 6.16(g) as this would require the review report to be included regardless if initially issued or not.</p> <p>We believe the inconsistency between 6.16(g) and 6.8(b) and 6.A6 should be resolved. If the intent is to be consistent with existing standards, then paragraphs 6.8(b) and 6.A6 should change. However, we believe the intent was to provide some flexibility when considering the practices related to public filings and, if so, then paragraph 6.16(g) should change to eliminate the requirement for a statement, if applicable, that the historical financial statements were reviewed.</p>	<p>statements were audited or reviewed, as applicable;</p> <p>ii. if the auditor issued a review report on the historical financial statements, a statement that a review report was issued, and...</p>
Introductory sentence to par. 6.15	PWC	Par. 6.15: The introductory sentence preceding the listing of the specific report elements identifies those report elements that should be omitted when the practitioner disclaims an opinion. We believe that par. 6.15(j)(iv), “the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion,” also should be omitted when the practitioner disclaims an opinion, and therefore the reference to paragraph 6.15(j)(i-iii) should be extended to cover 6.15(j)(i-iv).	Made this change.
6.A16 and 6.A20	TIC	<p>Paragraph 6.A16 and 6.A20—Pooling-of-interest Business Combination Example</p> <p>Paragraphs 6.A16 & 6.A20 were brought forward from AT 401.15, which dates back to a time when pooling-of-interests accounting was one of two methods of accounting for a business combination. Today, the pooling-of-interests method has been eliminated by the FASB as an allowable method. However, FASB <i>Accounting Standards Codification</i>TM (ASC) paragraph 805-50-05-5 acknowledges that certain transfers of net assets or stock between entities under common control are accounted for in a manner “similar to the pooling-of-interests method.”</p> <p>TIC was uncertain whether the Board intended to retain this paragraph in the clarified standards. If so, TIC believes the paragraph should be modified to reflect the context in which the “pooling-of-interest” term is now used (ASC 805-50-05-5) and the type of pro forma information to be presented (ASC 805-50-45-5). Otherwise, paragraph 6.A16 could be misleading.</p> <p>Also, if this guidance is to be retained, the Board should reexamine the placement of duplicate guidance in paragraph 6.A20. If paragraph 6.A16 is eliminated, then paragraph 6.A20 should</p>	Included a reference to FASB ASC 805, “Business Combinations.”

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		be eliminated also.	
6.16(g)	PWC	<p>Review report on pro forma financial information</p> <p>Paragraph 16 of chapter 6 includes the required elements of a review report on pro forma financial information. We believe the introduction of the term “if” in subparagraph 6.16(g) may be misinterpreted to mean that it might be acceptable if the historical financial statements of the entity on which the pro forma financial information is based were neither audited nor reviewed, which would contradict the requirements in paragraph 6.8(b) and 6.9. Accordingly, we recommend editing the first sentence as shown below:</p> <p style="padding-left: 40px;">6.16(g) A reference to the financial statements from which the historical financial information is derived and if the historical financial statements were audited a statement that such financial statements were audited or, and if the historical financial statements were reviewed, a statement that such financial statements were reviewed, as applicable . .</p> <p>This recommendation is dependent upon the resolution of our comment above under the subheading “Including the review report in a document containing the pro forma financial information.”</p>	Made this change.
6.16	PWC	Par. 6.16: Consider adding a parenthetical reference to paragraph 6.A18 at the end of the introductory phrase introducing the subparagraphs since paragraph 6.A18 is the only application guidance paragraph in this section that is not linked to a requirement.	Added the reference.
6.A22	PWC	<p>Par. 6.A22 Example 1: In the second line of the opening paragraph, consider deleting the parenthetical phrase “pro forma financial information” that follows the words “historical amounts” because it appears later in the sentence.</p> <p>Par. 6.A22 Example 2: Consider changing the first word of footnote 1 from “where” to “when” consistent with the wording of footnote 2 in Example 3.</p> <p>Par. 6.A22 Example 4: Consider editing the third paragraph of this report so that it reads “We were are unable to perform. . .”</p>	Made these changes.
Does this revised structure facilitate understanding and implementing the standards?	Washington State	<p>Yes. We had not previously considered the order of extant AT section 601, which discusses agreed-upon procedures before discussing examinations, to imply a preference for one engagement type over the other. Rather, extant AT 601.05 and proposed AT chapter 7.A2 appear to explicitly state this preference, as follows:</p> <p style="padding-left: 40px;">7.A2. <i>An important consideration in determining the type of engagement to be performed is the expectation of users of the practitioner’s report. Since the specified parties decide the procedures to be performed in an agreed-upon procedures engagement, it may be in the best interests of the practitioner and specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement.</i></p>	Supportive

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Chapter 7, "Compliance Attestation"			
7.1	PWC	<p>Par. 7.1: We recommend editing the first sentence in this paragraph as follows to be consistent with the equivalent text in chapters 5 and 6: "This chapter of Statements on Standards for Attestation Engagements (SSAEs or attestation standards) contains performance and reporting establishes the requirements and application guidance for a practitioners."</p> <p>Also, consider adding a parenthetical reference to paragraphs 7.A1-7.A6 at the end of subparagraph (c).</p>	Made this change.
7.1 7.A33	KPMG	<p>Extant AT Section 601.04 provides the types of agreed-upon procedures engagements that a practitioner may be engaged to perform as a compliance attestation. Paragraph .04(c) states, "Both the entity's compliance with specified requirements and the effectiveness of the entity's internal control over compliance." We believe that this requirement should not be application guidance (paragraph 7.A33), but should remain a requirement in paragraph 7.1, as follows (new content underscored):</p> <p style="margin-left: 40px;">7.1. This chapter of Statements on Standards for Attestation Engagements (SSAEs or attestation standards) establishes the requirements and guidance for a practitioner:</p> <ul style="list-style-type: none"> a. examining an entity's compliance with the requirements of specified laws, regulations, rules, contracts, or grants (specified requirements) or an assertion about compliance with specified requirements; b. performing agreed-upon procedures related to an entity's compliance with specified requirements; c. performing agreed-upon procedures related to an entity's internal control over compliance with specified requirements; d. <u>performing agreed-upon procedures related to both the entity's compliance with specified requirements and the effectiveness of the entity's internal control over compliance.</u> 	Did not make this change.
7.A2 Indicate that in an examination the practitioner provides [obtains] reasonable assurance; in an AUP engagement, no assurance only	McGladrey	<p>We believe paragraph 7.A2 should be expanded as follows to more clearly emphasize the significant difference in the level of assurance provided between an examination engagement and an agreed-upon procedures engagement (proposed deletions are struck through, and proposed additions are shown in bold font):</p> <p style="margin-left: 40px;">7.A2. An important consideration in determining the type of engagement to be performed is the expectations of users of the practitioner's report. It is important to explain to users that an examination provides reasonable assurance as to compliance, while an agreed-upon procedures engagement only reports on procedures and findings</p>	Deleted par. 7.A2

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procedures and findings		<p>without providing the user any assurance about the subject matter or assertion. Since However, because the specified parties decide the procedures to be performed in an agreed-upon procedures engagement, it may be in the best interests of the practitioner and the specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement when the specified parties want a detailed report of the results of specific procedures performed rather than an opinion about the subject matter or assertion. (Ref: par.7.1)</p>	
<p>7A2</p> <p>Indicate that in an examination the practitioner provides [obtains] reasonable assurance; in an AUP engagement, no assurance only procedures and findings</p>	TIC	<p>Paragraph 7.A2—Introduction—Determining the Type of Engagement to be Performed</p> <p>Paragraph 7.A2 states: <i>An important consideration in determining the type of engagement to be performed is the expectations of users of the practitioner's report. Since the specified parties decide the procedures to be performed in an agreed-upon procedures engagement, it may be in the best interests of the practitioner and specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement.</i></p> <p>TIC believes this paragraph does not provide sufficient guidance for a practitioner to distinguish the two levels of service and make an informed judgment as to which type of engagement should be performed. By simply emphasizing one distinguishing element of an agreed-upon procedures engagement (i.e., that parties are required to agree upon the procedures to be performed), the guidance downplays the significant differences in what the deliverable represents and could encourage practitioners to perform agreed-upon procedures engagements when it is not appropriate to do so. An expectation gap already exists with clients who think an agreed-upon procedures engagement is providing reasonable assurance.</p> <p>TIC therefore suggests the following revisions to paragraph 7.A2:</p> <p><i>An important consideration in determining the type of engagement to be performed is the expectations of users of the practitioner's report. <u>It is important to explain to users that an examination provides reasonable assurance, while an agreed-upon procedures engagement only reports on procedures and findings without providing the user reasonable assurance over the subject matter or assertion. Since However, because the specified parties decide the procedures to be performed in an agreed upon procedures engagement, it may be in the best interests of the practitioner and specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement when the specified parties want a detailed understanding of the exact procedures performed rather than assurance on the subject matter.</u></i></p>	Deleted par. 7.A2
7.A2	Georgia	We recommend that the following sentence included in paragraph 7.A2 be reworded:	Deleted par. 7.A2

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		<p>“...Since the specified parties decide the procedures to be performed in an agreed-upon procedures engagement, it may be in the best interests of the practitioner and specified parties (including the engaging party) to have an agreed-upon procedures engagement rather than an examination engagement.”</p> <p>We found this sentence to go beyond customary application guidance in that it is very opinionated and expresses a preference of an agreed-upon procedures engagement over an examination engagement. We believe the type of engagement that is the best fit should be based on the judgment of the practitioner after careful consideration of the facts and circumstances. We believe that the exposure draft can express advantages and disadvantages of the various engagement types without attempting to influence the practitioner. We believe the aforementioned sentence should be revised as follows:</p> <p>Practitioners assume less risk when they conduct an agreed-upon procedures engagement since the specified parties decide the procedures to be performed. On the other hand, an examination engagement is less restrictive in its scope and may provide more meaningful information regarding an entity’s compliance with requirements of specified laws, regulations, rules, contract, or grants.</p>	
7.2	KPMG	<p>We believe, with the exception of agreed-upon procedures, the objectives of compliance attestation engagements should be conceptually consistent with AU-C 935, <i>Compliance Audits</i>. In evaluating the substantive differences between the Proposed SSAE and extant AT Section 601, generally, we support the new or expanded Proposed SSAE requirements as they clearly demonstrate the similarities between compliance audits and compliance attestation engagements. For the Board’s consideration, we offer the comments below intended to further strengthen the proposed SSAE:</p> <p>1 We believe that in some instances moving extant AT Section 601 paragraphs to application paragraphs in the Proposed SSAE dilutes the requirements of the practitioner when performing a compliance attestation. In addition, we noted a few instances where certain paragraphs in extant AT Section 601 were dropped entirely. Specifically we noted the following:</p> <p>a. Extant AT Section 601 paragraph .02 identifies the engagements that are not affected by the standard. Paragraphs .02d and 02e are not included in the Proposed SSAE. We recommend adding extant paragraph .02d to paragraph 7.4 of the Proposed SSAE:</p> <p>d. apply to engagements covered by AU-C section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>.</p>	Deleted par. 7.2
7.A3	Deloitte	<p>Paragraph 7.A3 We noted a number of inconsistencies when comparing the language in the application</p>	Deleted par. 7.A3

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		<p>guidance paragraph 7.A3 to the language in chapter 1 paragraph 1.25. Further, we question whether it is appropriate to include requirements in one chapter as application guidance in another chapter. We recommend that the application guidance in paragraph 7.A3 be deleted and replaced with the following language:</p> <p><u>7.A3 Refer to chapter 1 of the attestation standards, Concepts Common to All Attestation Engagements, paragraph 1.25 for the required engagement characteristics.</u></p> <p>However, if it is concluded that certain requirements from chapters 1 through 4 need to be repeated in a subject-matter specific paragraph, we recommend that if the purpose of paragraph 7.A3 is to address the characteristics of an engagement, then all the characteristics as noted in chapter 1 should be listed, not just certain selected characteristics. This may otherwise lead the practitioner to conclude that certain characteristics are more important than others. We also noted some conforming edits with the language in chapter 1. See the following suggested edits:</p> <p><u>7.A3 In accordance with chapter 1 of the attestation standards, a practitioner is precluded from accepting an engagement unless the practitioner has reason to believe that engagement exhibits all of the following characteristics:</u></p> <ul style="list-style-type: none"> • the subject matter is appropriate • <u>the criteria to be applied in the preparation and evaluation of the subject matter are suitable and will be available to the intended users</u> • <u>the practitioner will have access to the evidence needed to arrive at the practitioner’s opinion or findings</u> • <u>the practitioner’s opinion or findings, in the form appropriate to the engagement, is to be contained in a written report.</u> <p>Chapter 1 indicates that one of the attributes of appropriate subject matter is that it is identifiable and capable of reasonably consistent measurement or evaluation against the <u>applicable</u> criteria. (Chapter 1 requires that the criteria be suitable and available.) (Ref: par.7.1)</p>	
7.A3	PWC	<p>Par. 7.A3: We suggest adding the phrase “to the intended users” at the end of the last sentence and deleting par. 7.A5 which is overly redundant with par. 7.A3. Finally, we believe the references in footnotes 1 and 3 to paragraph 1.27(b)(i) and 1.27(b)(ii) should be changed to 1.25(b)(i) and 1.25(b)(ii), respectively</p>	Deleted par. 7.A3

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7.A4	Deloitte	<p>Paragraph 7.A4 We recommend that paragraph 7.A4 be deleted as we do not believe it is necessary to repeat requirements and application guidance in chapter 7, given the “building-block” approach of the attestation standards as well as the requirement in paragraph 7.6 for the practitioner to comply with all relevant chapters of the attestation standards. However, if a decision is made to retain the application guidance, then it would be helpful for the practitioner to understand what constitutes “in the absence of indications to the contrary”. We recommend additional application guidance to clarify what constitutes suitable criteria. See the following suggested edits:</p> <p>7.A4 Chapter 1 of the attestation standards notes that in some cases, laws or regulations prescribe the criteria to be used for an examination of compliance or agreed-upon procedures engagement related to compliance. In the absence of indications to the contrary, such criteria are presumed to be suitable. <u>Suitable criteria are relevant, objective, measurable, and complete.</u> (Ref: par.7.1)</p>	Deleted par. 7.A4
7.3	Deloitte	<p>2. Paragraph 7.3 of the Proposed SSAE states that this chapter is not applicable to an examination engagement in which a practitioner is reporting on an entity’s internal control over compliance. Further paragraph 7.A7 refers the practitioner to chapters 1 and 2 and AU-C section XXX, <i>An Audit of an Entity’s Internal Control over Financial Reporting</i> when performing such an engagement. However, page 5 of the Exposure draft states that the Board has decided to move AT section 501 to the SASs because it addresses an examination of internal control that is integrated with an audit of financial statements. When AT Section 501 is moved to the attestation standards, the Board intends to replace it with a generic internal control attestation standard that will provide guidance to practitioners engaged to examine at entity’s internal control related to financial reporting, operations, or compliance. Therefore, we recommend the following adjustment to paragraph 7.A7(new content underscored; deleted content strike-through):</p> <p>An engagement to examine internal control over compliance is governed by chapters 1, 2, <u>and X</u> of the attestation standards. Additionally, AU-C section XXX, An audit of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements.[Note – “X” is meant to refer to the generic internal control attestation standard that is referred to on page 5 of the exposure draft.]</p>	Deleted par. 7.3
7.A5	Deloitte	<p>Paragraph 7.A5 The application guidance in this paragraph is already reflected in paragraph 7.A3. We recommend that the paragraph be deleted.</p>	Deleted par. 7.A5
7.2, 7.3 and 7.4	Deloitte	Paragraphs 7.2, 7.3 and 7.4 all note circumstances when chapter 7 does not apply. We	Deleted pars. 7.2 and

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		<p>recommend that these three paragraphs be combined together, along with the related application guidance. Further, paragraph 7.4a is not only applicable to chapter 7, but is applicable to all the attestation standards. We recommend deleting paragraph 7.4a and potentially adding similar language to chapter 1. See the following recommended edits: Pa</p> <p>7.2 Chapter 3, "Review Engagements," of the attestation standards prohibits a practitioner from performing a review, as that term is defined in chapter 1, "Concepts Common to All Attestation Engagements," of an entity's compliance with specified requirements or an entity's internal control over compliance or an assertion thereon.</p> <p>7.3 This chapter is not applicable to examination engagements in which a practitioner is reporting on an entity's internal control over compliance with specified requirements. (Ref: par. 7.A7)</p> <p>7.4 This chapter does not</p> <p>a. affect the auditor's responsibility in an audit of financial statements performed in accordance with generally accepted auditing standards (GAAS). <u>apply to reviews of compliance with specific requirements or an entity's internal control over compliance or an assertion thereon because chapter 3 of the attestation standards, Review Engagements, specifically prohibits such engagements.</u></p> <p>b. apply to examination engagements in which a practitioner is reporting on an entity's internal control over compliance with specified requirements. (Ref: par. 7.A7)</p> <p><u>bc.</u> apply to situations in which an auditor reports on specified compliance requirements based solely on an audit of financial statements, as addressed in AU-C section 806, Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements.</p> <p><u>ed.</u> apply to engagements in which a governmental audit requirement requires an auditor to express an opinion on compliance in accordance with AU-C section 935, Compliance Audits.</p>	<p>7.3.</p> <p>Made these changes. Moved pars. 7.2 and 7.3 to bullets in par. 7.4</p>
7.3	PWC	<p>Par. 7.3 states that "this chapter is not applicable to examination engagements in which a practitioner is reporting on an entity's internal control over compliance with specified requirements" and related application guidance in paragraph 7.A7 states that "an engagement to examine internal control over compliance is governed by chapters 1 and 2 of the attestation standards." Paragraph 3 of AU-C 935, <i>Compliance Audits</i>, should be amended because it currently states that "AT section 601 is applicable to performing and reporting on the examination of internal control over compliance."</p>	<p>This was corrected in the June 1, 2014 issue of Professional Standards</p>

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7.8 and 7.9	Deloitte	Paragraphs 7.8 and 7.9 One objective included in chapter 2, paragraph 2.3c is that the practitioner is to “communicate further as required by relevant chapters of the attestation standards.” We believe this objective should be included in paragraphs 7.8 and 7.9.	There are no additional communication requirements in chapter 7. The applicable communication requirements are in chapters 2 and 4
7.9 Move objectives paragraph AUPs to AUP section.	KPMG	We recommend that the Board move paragraph 7.9 to after paragraph 7.27 so that the paragraphs related to a compliance agreed-upon procedures engagement are presented after the paragraphs related to a compliance examination.	Did not make this change
7.11	Deloitte	We recommend that paragraph 7.11 c be deleted as the term “Evidence” has already been defined in chapter 1, paragraph 1.10i. Further, in order to accept an attestation engagement, the practitioner is required by chapter 1, paragraph 1.25b	Made this change.
7.11	PWC	Par. 7.11: We suggest reversing the order of the subheaders “Examination Engagements” and “Requirements” which precede this paragraph. In addition, we suggest adding a parenthetical reference to paragraph 7.A11 following subparagraph (b). Finally, we believe the reference to paragraphs 1.23-1.27 in footnote 7 should be extended to included paragraph 1.28.	Made these changes.
7.A11 and 7.A30	Akresh	Par 7.A11 and 7.A30 These paragraphs say: “The responsible party may engage the practitioner to gather certain information for use in evaluating the entity’s compliance.” This seems to be telling the practitioner that it’s acceptable to audit your own work. The responsible party needs to assemble the data to support its assertion. These sentences should be deleted.	Made this change.
Conditions for engagement acceptance 7.12	GAO	We recommend that the following requirement be added to the conditions for engagement acceptance and continuance for agreed upon procedures engagements in chapter 7: Although not required by chapter 4 of the attestation standards, in performing an agreed upon procedures engagement under this chapter, the practitioner should obtain from the responsible party a written assertion about compliance with specified requirements. The responsible party may present its written assertion in either of the following: a. A separate report that accompanies the practitioner’s report b. A representation letter to the practitioner (Ref: par. 7.A12)	At this point in the ASB’s discussions, an assertion is required in an AUP engagement
7.A13	Deloitte	Paragraph 7.A13	Made this change.

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		<p>We believe that the application guidance relating to reasonable assurance is repetitive and can be deleted as it is included in chapter 1, paragraph 1.10<i>bi</i>. See the following edits:</p> <p>7.A13 As the basis for the practitioner’s examination opinion, chapter 1 of the attestation standards indicates that the practitioner obtains reasonable assurance about whether the subject matter is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high, but not absolute, level of assurance. It is obtained when the practitioner has obtained sufficient appropriate evidence to reduce attestation risk (that is, the risk that the practitioner expresses an inappropriate opinion when the subject matter is materially misstated) to an acceptably low level. Reasonable assurance is not an absolute level of assurance because there are inherent limitations of an examination that result in most of the evidence on which the practitioner draws conclusions and bases the practitioner’s opinion being persuasive rather than conclusive. There is the possibility that management or others may not provide, intentionally or unintentionally, the complete information that is relevant to the subject matter or that has been requested by the practitioner. Accordingly, the practitioner cannot be certain of the completeness of information, even though the practitioner has performed procedures to obtain assurance that all relevant information has been obtained. (Ref: par.7.13)</p>	
7.14	Deloitte	Paragraph 7.14 as it relates to materiality is only applicable to an examination engagement and as such the paragraph and the heading “Materiality” should be moved to below the heading “Performing an Examination Engagement.”	Par. 7.14 falls under the heading “Examination Engagements,” (See the heading above old par. 7.11.)
7.15 and 7.28	Deloitte	<p>Paragraphs 7.15 and 7.28 This paragraph contains the phrase “should consider.” We believe this phrase can be difficult to measure and we recommend the requirement be reworded to eliminate this phrase. See the following suggested edits:</p> <p>7.15 / 7.28 To obtain an understanding of the specified compliance requirements, Tthe practitioner should consider <u>obtain an understanding of the specified compliance requirements, including through the following, where applicable:</u> the following:</p> <ul style="list-style-type: none"> a. <u>Consideration of</u> Laws, regulations, rules, contracts, and grants that pertain to the specified compliance requirements, including published requirements b. Knowledge about the specified compliance requirements obtained through prior engagements and regulatory reports c. Knowledge about the specified compliance requirements obtained through Discussions with appropriate individuals within the entity (for example, the chief financial officer, internal auditors, legal counsel, compliance officer, or grant or contract administrators) 	Made this change.

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		d. Knowledge about the specified compliance requirements obtained through <u>D</u>iscussions with appropriate individuals outside the entity (for example, a regulator or	
7.15 and 7.28	Washington State	Because paragraph 7.28 (for agreed-upon procedures) is duplicative of paragraphs 7.15 (for examinations), we recommend consolidating these paragraphs at the beginning of Chapter 7, where the discussions are applicable to both types of engagements.	Did not make this change.
7.16 Compliance at various components	Akresh	<p>Par 7.16 This paragraph says: “the practitioner may determine that it is not necessary to test compliance with requirements at every component”. This seems to be an invitation not to visit all locations. Rather, the paragraph should be worded in a neutral manner, such as: “The practitioner should determine how many and which locations to visit to test compliance and the nature, timing, and extent of testing at each location. In making this determination....”</p>	<p>Changed par. 7.16 to state:</p> <p>“In an engagement to examine an entity’s compliance with specified requirements when the entity has operations in several components (for example, locations, branches, subsidiaries, or programs), the practitioner <u>should</u> may determine <u>the nature, timing, and extent of testing to be performed at individual components that it is not necessary to test compliance with requirements at every component.</u> In making such a determination and</p>

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			in selecting the components to be tested, the practitioner should <u>evaluate</u> consider factors such as the following.”
7.16 Compliance at various components	Deloitte	<p>7.16 In an engagement to examine an entity’s compliance with specified requirements when the entity has operations in several components (for example, locations, branches, subsidiaries, or programs), the practitioner should make a determination as to whether may determine that it is not necessary to test compliance with requirements at every component. In making such a determination and in selecting the components to be tested, the practitioner should consider evaluate factors such as the following:</p> <ul style="list-style-type: none"> a. The degree to which the specified compliance requirements apply at the component level b. Judgments about materiality c. The degree of centralization of records d. The effectiveness of the control environment, particularly management’s direct control over the exercise of authority delegated to others and its ability to supervise activities at various locations effectively e. The nature and extent of operations conducted at the various components f. The similarity of operations over compliance for different components. 	See the row above.
7.18	Deloitte	<p>Paragraph 7.18 We recommend that the word “significant” be deleted, as it is unlikely that the practitioner would be able to determine which reports are significant unless the practitioner has in fact reviewed all the reports of the regulator’s examinations and the related communications between the regulatory agencies and the entity. See the following suggested edits:</p> <p style="padding-left: 40px;">7.18 For engagements involving compliance with regulatory requirements, the practitioner’s procedures should include reviewing reports of significant regulators’ examinations and related communications between regulatory agencies and the entity and, when appropriate, making inquiries of the regulatory agencies, including inquiries about examinations in progress.</p>	Replaced “significant” with “relevant.”
7.18 Reports of “relevant regulatory examinations instead	McGladrey	<p><i>Performing an Examination Engagement</i> We believe the requirement in paragraph 7.18 to review reports of “significant examinations” could be unclear for practitioners, and therefore should be revised to require the review of reports of “relevant regulatory examinations” to align more closely with the wording in AU-C 250.14 and .A16.</p>	Replaced “significant” with “relevant.”

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		<p>2.39 The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the examination engagement up to the date of the practitioner’s report that could have a significant effect on the subject matter or assertion. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action (emphasis added).</p> <p>Paragraph 7.20 requires an explanatory paragraph while paragraph 2.39 states that the practitioner should take appropriate action that is further described in application paragraph 2.A57. We believe that the practitioner’s treatment of a significant subsequent event should be consistent between a general examination and a compliance examination. As a result, we recommend deleting paragraph 7.20 because the requirements outlined in paragraph 2.39 are sufficient for a compliance examination and consistent with AU-C 935.</p>	
7.20 Clarify the meaning of “noncompliance of such a nature and significance.”	New Mexico	<p>Section 7.20 Non-compliance that occurs subsequent to the period being reported on.</p> <p>We are not sure that there is sufficient agreement among practitioners as to what “of such nature and significance” would quantify to be required to be reported.</p> <p>Second, would an item so determined require another “finding” in the report or just disclosure in the accountant’s report?</p>	Deleted par. 7.20.
7.21 Change obtain to request.	Deloitte	<p>Paragraph 7.21 requires that the written representations be <i>requested</i> from management; however, in paragraph 7.22, the practitioner is required to <i>obtain</i> from the responsible party the written representations. We recommend that the language be consistent with chapter 2, and therefore suggest the use of “request.”</p> <p>We also noted in paragraph 7.21<i>b</i> that the responsible party is not required to represent that all areas of noncompliance identified as a result of the evaluation of the entity’s compliance with specified requirements have been disclosed. Paragraph 7.21<i>e</i> requires the responsible party to make a representation regarding noncompliance, but only if it occurs subsequent to the period for which the responsible party selects to make the assertion. We recommend that the responsible party make a similar representation for the period evaluated by the responsible party. This is also consistent with written representations required in paragraph 7.29<i>d</i> pertaining to agreed-upon procedures engagements relating to compliance. Further, paragraph 7.29<i>e</i> requires a written representation relating to the availability of documentation. We believe this requirement is also applicable to examinations of compliance with specified requirements. See the following suggested edits:</p>	Changed “obtain” to “request” in par. 7.22.

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		<p>7.21 In addition to the representations required by chapter 2 <u>for an examination engagement</u>of the attestation standards, the practitioner should request the following written representations from the responsible party: ...</p> <p><u>f. stating that the responsible party has disclosed to the practitioner all known noncompliance with the specified requirements.</u></p> <p><u>g. stating that the responsible party has made available all documentation related to compliance with the specified requirements.</u></p>	<p>These items are included in pars. 2.45(b) and 2.45(e), respectively.</p>
7.21	PWC	<p>Par. 7.21: We suggest deleting the reference to paragraph 2.42, which applies when the engaging party is not the responsible party, in the footnote to this paragraph because the context of paragraph 7.21, similarly to paragraphs 5.21 and 6.13, is that the representations required of the responsible party in paragraph 2.41 should be obtained. As stated in our cover letter, we believe the additional representations required of the engaging party by paragraph 2.42(a) and, where relevant, paragraph 3.33(a), when the engaging party is not the responsible party, should be separately addressed in the subject-matter specific chapters to improve clarity.</p>	<p>Changed the footnote reference to par.2.45. (The practitioner is required to request these representations even when the engaging party is not the responsible party.)</p>
<p>Require the same representations in an examination of compliance as in compliance audit</p> <p>7.21</p>	KPMG	<p>As the objectives of a compliance examination engagement are similar to a compliance audit engagement, we believe that the required representations of a compliance audit should be included in a compliance examination. Accordingly, we believe that the requirements provided in AU-C 935.23(f)(j)(l) should be included in paragraph 7.21.</p>	<p>The representations in AU-C 935.23(f) and (j) are included in par. 2.45 (a) and (b).</p> <p>Item (l) in par. 23 of AU-C 935 is not relevant.</p>
7.22	Washington State	<p>In conjunction with the terminology changes instituted by the Clarified Statements on Auditing Standards, we recommend replacing the following underlined text with “unmodified”:</p> <p>7.22. <i>In an examination of compliance, the practitioner should obtain from the responsible party the written representations required by chapter 2 of the attestation standards and paragraph 7.21, even if the engaging party is not the responsible party.¹⁴ The alternative to obtaining the required written representations provided for in chapter 2 is not permitted in an engagement to examine compliance.¹⁵ The responsible party’s refusal to furnish the written representations required by chapter 2 and paragraph 7.21 constitutes a limitation on the scope of the engagement sufficient to preclude an <u>unqualified</u> opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement.¹⁶ (Ref: par. 7.A19)</i></p>	<p>Changed “unqualified” to “unmodified.”</p>

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7.22	PWC	Par. 7.22: We suggest replacing the phrase “unqualified opinion” in the last sentence of this paragraph with “unmodified opinion” to be more consistent with the clarity drafting conventions. Furthermore, we suggest deleting footnote 16 at the end of the last sentence in this paragraph as paragraph 2.41 does not address the possible implications of a scope limitation.	Changed “unqualified” to “unmodified.” Changed the reference to par. 2.A62 of the Jan 2015 draft of chapter 2.
7.22	GAO	<p>In certain circumstances, law or regulation will not allow a practitioner to withdraw from an engagement when withdrawal would otherwise be appropriate under the attestation standards. As such, we recommend that paragraphs 7.22 be revised as follows</p> <p style="padding-left: 40px;">7.22. In an examination of compliance, the practitioner should obtain from the responsible party the written representations required by chapter 2 and paragraph 7.21, even if the engaging party is not the responsible party. The alternative to obtaining the required written representations provided for in chapter 2 is not permitted in an engagement to examine compliance. The responsible party’s refusal to furnish the written representations required by chapter 2 and paragraph 7.21 constitutes a limitation on the scope of the engagement sufficient to preclude an unqualified opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement, <u>when withdrawal is possible under applicable laws or regulations</u>. (Ref: par. 7.A19)</p> <p style="text-align: center;">- - - - -</p>	Made this change.
7.24(e)	KPMG	1d. As the objectives of a compliance examination engagement are similar to a compliance audit engagement, to be consistent with both extant AT Section 601.55(f) and AU-C 935, <i>Compliance Audits</i> , paragraph .30e(iii), we recommend that the Proposed SSAE paragraph 7.24e(i) include the requirement for the practitioner’s report to state that the examination included procedures that the practitioner considered necessary in the circumstances	This statement is not included in the list of required elements for an examination report in chapter 2.
7.A19	PWC	<p>Par. 7.A19: This paragraph provides application guidance related to the requirement in paragraph 7.22 above. We suggest editing it as shown below so that its wording is more consistent with paragraph A22 in chapter 5 and paragraph A12 in chapter 6 of the proposed SSAE, which are comparable.</p> <p>Par. 7.A19 Because of the nature of the subject matter, this chapter does not permit the practitioner to perform the alternative procedures described in chapter 2 of the attestation standards (making inquiries of the responsible party and restricting the use of the report) 17 in an examination of compliance. Therefore, the representations need to be confirmed in writing by the responsible party.17 (Ref: par. 7.22) 17 Paragraphs 2.42(b) and 2.46(a).</p>	<p>Added the words “in an examination of compliance.”</p> <p>Par. 2.42b of the ED presents the option to perform alternative procedures</p> <p>Par. 2.46a of the ED requires that the</p>

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			<p>report be restricted</p> <p>Par. 2.61 a (iv) of the ED requires documentation of the oral responses.</p> <p>Do all these paragraphs need to be referenced in this paragraph?</p>
7.A24	Deloitte	<p>Paragraph 7.A24 We recommend rewording the lead-in to the application guidance paragraph as well as modifying the layout, so as to better illustrate the example. See the following suggested edits:</p> <p>7.A24 The following is an example illustrates the form of a paragraph that would be added to the practitioner's modified report to describe the matter giving rise to the qualified opinion, and the related revisions to the opinion paragraph:</p> <p>b. the opinion paragraph of the modified report containing the qualified opinion: Our examination disclosed the following material noncompliance with [<i>type of compliance requirement</i>] applicable to [<i>name of entity</i>] during the [<i>period</i>] ended [<i>date</i>]. [<i>Describe noncompliance.</i>]</p> <p>In our opinion, except for the material noncompliance described in the preceding paragraph, [<i>name of entity</i>] complied, in all material respects, with the aforementioned requirements for the [<i>period</i>] ended [<i>date</i>]. (Ref: par.7.26)</p>	<p>Did not make these changes</p> <p>Changed the lead-in to state "The following illustrates..." Did not include the words "form of a paragraph" because it is not a meaningful expression in this context.</p> <p>Deleted the word "modified." "Modified report" is not the correct term. The opinion is modified rather than the report.</p> <p>The paragraph does not show the "related revisions" because it is not a marked draft of the opinion.</p>

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7.26	KPMG	8c. Paragraph 7.26 of the Proposed SSAE states that if material noncompliance is identified the opinion should be modified in accordance with chapter 2 of the attestation standards (reference to paragraphs 2.55-2.60). Paragraphs 2.55 through 2.60 provides the requirements when the practitioner's report should be modified but does not provide the specific language that is required to be included in the practitioner's report. Paragraph 2.52h provides the specific language that the practitioner should use when a modified opinion is appropriate. Therefore, we believe paragraph 7.26 should make reference to paragraph 2.52h instead of 2.55-2.60.	The reference to a modified opinion in par. 2.52h has been removed from par. 2.52. All paragraphs related to modified opinions have been included under the heading "Modified Opinions" starting at new par. 2.60. Changed the reference to pars. 2.60-2.76 of chapter 2.
7.26	KPMG	AU-C 705, <i>Modifications to the Opinion in the Independent Auditor's Report</i> , paragraphs .17-.28 require the auditor to include specific information regarding the matter(s) giving rise to the modification (Basis for Modification), the opinion, and the auditor's responsibilities. Paragraph .30f of AU-C 935 also makes reference to the requirements of AU-C 705. As the objectives of an examination engagement, including a compliance examination, are similar to an audit engagement we believe that the Board should include the applicable requirements of AU-C 705 paragraphs .17-.28 in the Proposed SSAE paragraph 2.52h. Making reference from paragraph 7.26 of the Proposed SSAE to paragraph 2.52h will then incorporate the requirements of extant AT 601.65-.66. The recommended adjustment to paragraph 2.52h will also incorporate the requirements in extant AT Section 301 and AT Section 401 that were moved to application paragraphs within chapters 5 and 6, respectively.	Chapter 2 has been revised to include a paragraph that requires the practitioner to provide a description of the matters giving rise to the modification as well as paragraphs that align with pars. 24-28 of AU-C 705. Did not add the content of pars. 17-23 of AU-C 705
7.27	PWC	Par. 7.27: We believe the references in footnote 22 to this paragraph should be extended to include paragraphs 1.28 and 4.10.	Made this change.
7.29	Deloitte	Paragraph 7.29 requires that the written representations be <i>requested</i> from management; however, in paragraph 7.A31, the practitioner may want to <i>obtain</i> from the engaging party the written representations. We recommend that the language be consistent and the word "request" be used. Further, the layout of paragraph 7.29 and the ordering of paragraphs should be consistent, where possible, with that of paragraph 7.21.	Changed "obtain" to "request" in par. 7.A31

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7.29 Required "responsibility letter" in lieu of a "representation letter."	KPMG	<p>Paragraph 7.29 of the Proposed SSAE provides required representations in a compliance agreed-upon procedures engagement. As noted in our October Letter, we believe a written communication similar to a representation letter should be required in all agreed-upon procedures engagement. We support the requirement provided in paragraph 7.29, and restate our previously provided comment below related to chapter 4 (general agreed-upon procedures engagement):</p> <p>We acknowledge the inherent differences in an agreed-upon procedures engagement, however, we believe that the responsible party should acknowledge their responsibilities in writing at the conclusion of the engagement. We offer, as a suggestion, the concept of a required "responsibility letter" in lieu of a representation letter which has a specific meaning when assurance is provided. The practitioner's report already makes reference to the responsibilities of management (i.e., responsible party) and as a result a required responsibility letter explicitly documents what the practitioner communicates in the report.</p> <p>Proposed SSAE paragraph 4.23 and 4.24 as well as the related application guidance would be adjusted to reflect this change.</p>	Did not make this change.
7.29	TIC	<p>Paragraph 7.29—Inconsistency in Repetition of Requirements – Representation Letters</p> <p>Based on examples in other subject-matter chapters, chapter 7 is inconsistent with the convention established for representation letter requirements. Chapters 5 and 6 and the examinations engagement within chapter 7 include only incremental representations. However, the representation section for agreed-upon procedures in chapter 7 is comprehensive since it includes representations from chapter 4 plus those required in this chapter. TIC suggests the agreed-upon procedures engagement in chapter 7 follow the same convention as elsewhere in the chapter as well as the other subject-matter chapters.</p>	Made this change
7.A29	PWC	Par. 7.A29: We suggest editing the opening phrase of the first sentence as follows: "The responsible party is responsible for determining ensuring that the entity . . ."	Did not make this change.
7.31`	PWC	Par. 7.31: We do not believe the application guidance in paragraph 7.A31 is relevant to this paragraph and we suggest deleting the parenthetical reference to paragraph 7.A31 at the end of this paragraph.	Made this change.
7.32	Deloitte	<p>Paragraph 7.32 This paragraph contains the phrases "should evaluate" and "should consider." We believe "should evaluate" should be consistently used and we recommend the requirement be reworded as follows:</p> <p>7.32 If the engaging party is not the responsible party, and the responsible party refuses to furnish all appropriate written representations, the practitioner is not required to withdraw from the engagement but should evaluate the effects of the responsible party's refusal on the practitioner's report. Further, the practitioner should evaluate consider the effects of the</p>	Made this change.

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		responsible party's refusal on the practitioner's ability to rely on other representations of the responsible party. (Ref: par. 7.A31)	
7.32 Responsible party is not the engaging party and will not provide written representations	KPMG	<p>7 While we agree with the requirement in paragraph 7.31, we do not support the Board's conclusion to permit an "out" for written representations in paragraph 7.32 when the responsible party is not the engaging party. This is consistent with a comment provided in our letter dated October 28, 2013, related to required representations which is restated below:</p> <p>While we agree with the requirement in paragraphs 2.41-2.42a and 3.32-3.33a of the Proposed SSAE, we do not support the Board's conclusion to permit an "out" for written representations in paragraphs 2.42b and 3.33b. Consistent with the current subject matter attestation standards, we believe a written representation letter should be required in all instances. If however, the Board continues to believe that some flexibility is necessary in the Proposed SSAE, we believe that modifications to those paragraphs are necessary. When the engaging party is not the responsible party and the responsible party refuses to provide written representations, paragraphs 2.42b and 3.33b should specifically restrict instances when oral representations may be acceptable (e.g., governmental entities), and, when applicable, should include a requirement to inform the responsible party that the oral responses will be documented. The following is suggested wording for the Board's consideration (new content underscored), after which the Board would include examples of what are acceptable scenarios for oral representations.</p> <p><u>If, in the following limited instances</u>, the responsible party refuses to provide the representations in paragraph 2.41 (3.32) in writing, make inquiries of the responsible party about, and obtain oral responses to, the matters in paragraph 2.41 (3.32). The practitioner should document in the engagement file the oral responses obtained from the responsible party.</p> <p>Also consistent with the comment restated above, we support the Board's conclusion provided in paragraph 7.22 of the Proposed SSAE, which requires written representation in a compliance examination even in those instances where the responsible party is different from the engaging party. However, paragraph 7.22 uses the term "unqualified" that we recommend changing to "unmodified."</p>	<p>Did not make this change.</p> <p>Did not make this change. The documentation requirement is already in par. 2.78a(v) of the Jan. 2015 draft of chapter 2.</p> <p>Made this change.</p>
7.A32	PWC	Par. 7.A32: We suggest adding a parenthetical reference to paragraph 7.33 at the end of this paragraph	Made this change.
7.33 (f)(i)	KPMG	Extant AT Section 601.24 provides the required elements of the practitioner's agreed-upon	Did not make this

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		<p>procedures report. Paragraph .24f states, “A statement that the procedures, which were agreed to by the specified parties identified in the report, were performed to assist the specified parties in evaluating the entity’s compliance with specified requirements or the effectiveness of its internal control over compliance.” The phrase “the procedures were performed to assist the specified parties in evaluating...” was not included in paragraph 7.33 of the Proposed SSAE. We believe that a primary use of an agreed-upon procedures report is to assist the specified parties in evaluating compliance. Therefore, we recommend the following adjustment to paragraph 7.33(f)(i), which maintains the requirement contained in extant AT Section 601.24(f) (new content underscored; deleted content strike-through):</p> <p>7.33(f)(i). A statement that the procedures performed were those agreed to by the specified parties who are solely responsible for the sufficiency of the procedures for their purposes <u>to assist the specified parties in evaluating the entity’s compliance with specified requirements.</u></p>	change.
<p>7.33l(iii)(iv)(v) Make AT reports like reports in clarified SASs</p> <p>Require restricted use alert rather than intended purpose alert for GAGAS engagements. also.</p>	KPMG	<p>Similar to a comment provided in our October Letter, we believe that to facilitate the understanding of the attestation reports, the compliance examination report should follow the same clarified report model convention that is used in the clarified auditing standards (e.g., use of headers and the order of paragraphs).</p> <p>In addition, with respect to the overall report content:</p> <p>a. We agree with the circumstances that require an alert restricting the use of the practitioner’s report included in paragraphs 2.52i(i-iii) [referenced from paragraph 7.24h] and 7.33l. Under an examination, paragraph 2.52i(i-iii) requires the alert when the criteria used to evaluate the subject matter are appropriate only for a limited number of parties, when the criteria used to evaluate the subject matter are available only to specified parties, or when the responsible party is not the engaging party and the responsible party does not provide written representations. Under an agreed-upon procedures engagement the alert is required in all instances to restrict the use of the report to only those parties that have agreed upon the procedures performed and taken responsibility for the sufficiency of the procedures. Paragraphs 2.52i(iii)(4)(5) and 7.33l(iii)(iv)(v) require that the restricted use alert be changed to a purpose alert when the engagement also is performed under <i>Government Auditing Standards</i> (GAS). However, the underlying circumstances that support the requirement for the alert restricting the use of the practitioner’s report do not change with the addition of GAS. Therefore, we believe that paragraphs 2.52i(iii)(4)(5) and 7.33l(iii)(iv)(v) should be removed thereby allowing the use of a restricted use alert on those engagements that are also performed in accordance with GAS.</p>	The ASB discussed this in January 2014 and did not support this change.
7.33l Require that restricted use alert be	KPMG	The Proposed SSAE should specifically require a restricted use alert to appear at the end of the practitioner’s report. We provide the following revision to paragraphs 2.52i and 7.33l for the Board’s consideration (new content underscored; deleted content strike-through):	Did not make this change.

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at the end of the report.		An alert in a separate paragraph, <u>at the end of the applicable report section, which that</u> restricts the use of the report...	
7.A36	PWC	Par. 7.A36: The term “practitioner’s” does not appear in the titles of the illustrative report exhibits in chapters 5 or 6 and we suggest deleting it here. We also suggest deleting the phrase “related to compliance with specified requirements” from the title since Example 4 illustrates an agreed-upon procedures report on internal control over compliance. Finally, we believe footnotes 3 and 4 should be changed to reference paragraphs 4.25-4.30 instead of paragraphs 4.27-4.32.	Revised the heading to reflect the content of the exhibit “Illustrative Reports for Examination and Agreed-Upon Procedures Engagements Related to Compliance With Specified Requirements and for Agreed-Upon Procedures Engagements Related to Internal Control Over Compliance With Specified Requirements “ Corrected the footnote reference in footnotes 3 and 4
7.33	TIC	Reporting on Agreed-Upon Procedures Paragraph 7.33 provides the listing of items to include in the report on agreed-upon procedures. The lead-in to the paragraph is not clear that the list is all-inclusive of requirements in chapter 4 as well as chapter 7 and should be modified to match the language in paragraph 7.24, as follows: Chapter 4 of the attestation standards indicates that a The practitioner’s agreed-upon procedures report <u>on compliance</u> should contain the following:	. Made this change.
7.A36 Examples 3 and 4	PWC	In Examples 3 and 4, consider editing the opening phrase to read as follows: “We have <u>applied</u> performed the procedures . . .” to be consistent with the illustrative agreed-upon	Made this change

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<p>Par.58 of <i>Attestation Engagements Interpretations of Section 101</i> (9101)</p>	<p>KPMG</p>	<p>procedures reports in chapters 4 and 5.</p> <p><i>Other Matter</i></p> <p>Consistent with a comment provided in our October Letter, we recommend that the Board modify in a timely manner paragraph .58 of the <i>Attestation Engagements Interpretations of Section 101</i> (9101) while updating the Proposed SSAE. Paragraph .58 of AT 9101 refers to the additional reporting requirements of <i>Government Auditing Standards</i> (GAS) if matters described in GAS paragraphs 5.20-5.26 are identified, such as the following:</p> <ul style="list-style-type: none"> • Significant deficiencies and material weaknesses in internal control; • Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or assertion and any other instances that warrant the attention of those charged with governance; and • Abuse that has a material effect. <p>The example report provided in paragraph .58 is usable for a general examination attestation (performed under Chapter 2), however, this becomes problematic when it relates to a compliance examination (performed under Chapter 7), because the practitioner is providing an opinion on compliance and therefore the reporting on instances of noncompliance in a “by-product” report would be misleading. As a result, we provide the following modification to the last paragraph of the example report when performing a compliance examination for the Board’s consideration when clarifying AT Section 9101:</p> <p style="padding-left: 40px;">In accordance with <i>Government Auditing Standards</i>, we are required to report significant deficiencies and material weaknesses in internal control and instances of fraud, abuse, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the subject matter [<i>identify the subject matter</i>]. We are also required to obtain the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. Our examination disclosed certain findings that are required to be reported under <i>Government Auditing Standards</i> and those findings are described in the attached Schedule of Findings, along with the views of responsible officials. We performed our examination for the purpose described herein and not for the purpose of expressing an opinion on internal control over XYZ’s compliance with [<i>identify the subject matter</i>]; accordingly, we express no such opinion.</p> <p>The purpose of the attached Schedule of Findings is solely to describe certain findings that are required to be reported on our compliance examination engagement, and not to express an opinion on internal control over XYZ’s compliance with [<i>identify the subject matter</i>]. The Schedule of Findings is an integral part of an examination engagement under</p>	<p>Wrote to the GAO representative to obtain the GAO’s views.</p>

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		Government Auditing Standards when findings that are required to be reported are identified based upon the work performed. Accordingly, the attached Schedule of Findings is not suitable for any other purpose.	
Other			
Lack of consistency among the chapters when presenting the same topic	Deloitte	<p><i>Consistency of headings, layout and language</i> We noted inconsistency throughout the proposed SSAE relating to the presentation of headings. In many instances, different headings were used for the same subject matter across different chapters. For example, the heading pertaining to the modifications of the report in chapter 2 is “<i>Modified Opinions</i>,” while in chapter 5 it is “<i>Modification to the Practitioner’s Opinion</i>.”</p> <p>The layout of certain paragraphs varies across the chapters. Where the content is principally the same, there should be consistency as to the presentation. For example, in chapter 4, the “<i>alert language</i>” in paragraph 4.25l is presented before the paragraphs relating to restrictions (paragraph 4.25m) and specialists (paragraph 4.25n), whereas in chapter 7, the “<i>alert language</i>” in paragraph 7.33l is presented after the paragraphs relating to restrictions (paragraph 7.33j) and specialists (paragraph 7.33k).</p> <p>Language has also not been consistently used throughout the chapters. For example, in chapter 4 paragraph 4.25h[i], the language is as follows:</p> <p>4.25h A statement that</p> <ul style="list-style-type: none"> i. the sufficiency of the procedures is solely the responsibility of those parties specified in the report whereas in chapter 7 paragraph 7.33f[i], the language is as follows: <p>7.33f A statement that</p> <ul style="list-style-type: none"> i. the procedures performed were those agreed to by the specified parties who are solely responsible for the sufficiency of the procedures for their purposes. <p>We recommend conforming to the reporting requirements as laid out in chapter 4 for consistency. Further, given that chapters 1 through 4 were exposed prior to this proposed SSAE, care should be taken to ensure that any subsequent changes that were made to the proposed Statement on Standards for Attestation Engagements: <i>Attestation Standards: Clarification and Recodification</i>, issued July 24, 2013, as a result of comment letters received, should be flowed through and reflected in the subject-matter specific chapters as well. This is particularly important where paragraphs were moved and wording changes made. Inconsistencies throughout all the chapters could potentially make it very difficult for a practitioner to move easily from one chapter to the next, causing confusion as well as being contrary to the clarity principles.</p>	<p>Changed chapters 5 and 7 to “Modified Opinions.” Chapter 6 does not include this heading.</p> <p>Made this change</p>

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Paragraph Number or Topic	Commenter	Comment	Disposition of the Comment
Moving AT sections out of the attestation standards	Akresh	<p>Confusion about what belongs in the attestation standards, what belongs in the auditing standards, and what belongs in other standards</p> <p>The Exposure Draft creates confusion about where standards on specific services will be found. This is because the Board has not provided a clear definition of an attest engagement and how it is different from an engagement under the auditing standards or under SSARS.</p> <p>The Board has moved compilations out of the attestation standards, since compilations provide no opinion or conclusion; I support this. However, the Board has left agreed-upon procedure engagements in the attestation engagements, even though these engagements provide no opinion or conclusion. I believe agreed-upon procedures are not an attestation or assurance service, since they provide no assurance or conclusion; rather they are a non-attest service, similar to a consulting service.</p> <p>The Board also plans to move AT 501 into the auditing standards; I support this. However, the Board plans to leave other internal control engagements in the attestation standards. This will cause confusion among practitioners and users. The nature of the service and the report does not depend on whether it is integrated with another service. Therefore, I suggest the Board place all of the internal control standards in the auditing standards.</p> <p>The Board has created similar confusion about compliance attestation. The practitioner and the user will be confused about the difference between compliance auditing and compliance attestation. Again, the service and the reporting should not depend on whether it is integrated with another service. Compliance attestation should be eliminated and the related guidance moved to AU-C 935 or to an audit guide.</p> <p>I believe this confusion and movement between standards is caused by an inappropriate definition of an attestation engagement. The earlier ED defined an attestation engagement as: “An examination, review, or agreed-upon procedures engagement performed under the attestation standards related to subject matter or an assertion that is the responsibility of another party.” The phrase “Under the attestation standards” means that the definition is circular –an attestation is whatever is in the attestation standards. An audit of financial statements could fall under this definition except for the phrase “under the attestation standards.”</p> <p>As I said in my letter of October 22, 2013, the Board should write “write common standards for all assurance engagements and have separate sections for audits of financial statements and the various kinds of assurance engagements.” If not, the Board should explain that an attestation engagement is the same as an audit or review of financial statements except that the subject matter is something other than financial statements. Thus the definition of attestation engagement would be: “An engagement to provide an opinion or conclusion related</p>	Did not make these changes.

Summary of Comments on ED, *Subject-Matter Specific Attestation Standards: Clarification and Recodification*
ASB Meeting, January 12-15, 2015

Paragraph Number or Topic	Commenter	Comment	Disposition of the Comment
		to an assertion or subject matter other than financial statements or internal control over financial reporting or compliance.”	
General ATs should identify subject matter chapters for which option to provide oral representations is not permitted	PWC	<p>Written representations required from the responsible party</p> <p>The subject-matter specific chapters in the proposed SSAE require the practitioner to obtain from the responsible party the written representations required by chapter 2 or by chapter 3, as relevant, as well as the additional representations that are required by each subject-matter specific chapter, even if the engaging party is not the responsible party. Paragraphs 2.42(b) and 3.33(b) allow for certain of the representations to be oral when the engaging party is not the responsible party. This oral alternative is not permitted in examinations of prospective financial information (5.24), examinations and reviews of pro-forma financial information (6.13), and examinations of compliance (7.22). In finalizing chapters 1-4 for issuance, we recommend that footnotes be added at paragraphs 2.42(b) and 3.33(b) to identify the subject-matter specific chapters where this alternative is not permitted.</p>	Added application paragraphs in chapters 2 and 3. (See pars.2.A61 and 3.A44 in the Jan. 2015 drafts of chapters 2 and 3.
Summary of changes	Northern Illinois University	<p>We would highly recommend that an <i>Executive Summary</i> of <u>key substantive changes</u> be created. That is, restructuring/reformatting can make perfect sense, but as the dust settles, practitioners and teachers want to know "What were the key substantive changes?"</p> <ul style="list-style-type: none"> • for example, for a particular engagement, if a management representations letter would now be required (and in the extant standards is not required) 	AICPA policy does not provide for this. However staff will provide written material about the changes
Moving AT 501 to the SASs	Northern Illinois University	<p>We agree it makes sense to "re-park" AT 501 to the auditing standards.</p> <p>By the way, in the ED, there may be a typo: <i>The ASB has decided to move AT section 501 to the SASs because it addresses an examination of internal control that is integrated with an audit of financial statements. When AT section 501 is moved to the attestation (should be auditing?) standards,...</i></p>	Supportive