

## AT-C Section 210\*

# Review Engagements

Source: SSAE No. 18.

Effective for practitioners' review reports dated on or after May 1, 2017.

### Introduction

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

### Effective Date

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

### Objectives

.03 In conducting a review engagement, the objectives of the practitioner are to

- a. obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria;
- b. express a conclusion in a written report about whether the practitioner is aware of any material modifications that should be made to
  - i. the subject matter in order for it to be in accordance with (or based on) the criteria or
  - ii. the responsible party's assertion in order for it to be fairly stated; and
- c. communicate further as required by relevant AT-C sections.

### Definitions

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

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

**Review evidence.** Information used by the practitioner in obtaining limited assurance on which the practitioner's review report is based.

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\* This section contains an "AT-C" identifier, instead of an "AT" identifier, to avoid confusion with references to existing "AT" sections, which remain effective through April 2017.

**Sufficiency of review evidence.** The measure of the quantity of review evidence. The quantity of the review evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.

## Requirements

### Conduct of a Review Engagement

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

**.06** The practitioner should consider whether the nature of review procedures would enable the practitioner to obtain sufficient appropriate review evidence to obtain limited assurance. (Ref: par. .A2)

**.07** A practitioner should not perform a review of (Ref: par. .A2)

- a. prospective financial information,
- b. internal control, or
- c. compliance with requirements of specified laws, regulations, rules, contracts, or grants.

### Agreeing on the Terms of the Engagement

**.08** The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A3)

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

- a. The objective and scope of the engagement
- b. The responsibilities of the practitioner (Ref: par. .A4)
- c. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants
- d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different
- e. A statement that a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the assertion is fairly stated, in all material respects, in order to express an opinion, and that, accordingly, the practitioner will not express such an opinion
- f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter
- g. An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

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

### Requesting a Written Assertion

**.11** The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria. When the engaging party is the responsible party and refuses to provide a written assertion, paragraph .59 requires the practitioner to withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. When the engaging party is not the responsible party, and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement. In that case, paragraph .60 requires the practitioner to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party. (Ref: par. .A5–.A8 and .A76)

### Planning and Performing the Engagement

**.12** The practitioner should set the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out in order to achieve the objectives of the engagement. (Ref: par. .A9–.A12)

**.13** The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to provide a basis for designing and performing procedures in order to achieve the objectives of the engagement. That understanding should include the practices used to measure, recognize, and record the subject matter. (Ref: par. .A13)

### Materiality in Planning and Performing the Engagement

**.14** The practitioner should consider materiality when (Ref: par. .A14–.A19)

- planning and performing the review engagement, including when determining the nature, timing, and extent of procedures.
- evaluating whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated.

### Procedures to Be Performed

**.15** To obtain limited assurance, the practitioner should obtain sufficient appropriate review evidence in order to express a conclusion about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated.

**.16** The practitioner should apply professional judgment in determining the specific nature, timing, and extent of review procedures. Based on (Ref: par. .A20–.A23)

- a.* the practitioner's understanding of

- i. the subject matter and the practices used by the responsible party to measure, recognize, and record the subject matter and
  - ii. the engagement circumstances, and
- b. the practitioner's awareness of the risk that the practitioner may unknowingly fail to modify the practitioner's report when the subject matter is materially misstated,

the practitioner should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated.

**.17** Analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative. In those circumstances, the practitioner should perform other procedures, in addition to inquiries, that provide equivalent levels of review evidence. (Ref: par. .A24)

**.18** The practitioner should place increased focus in those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated. (Ref: par. .A25–.A26)

## Analytical Procedures

**.19** When designing and performing analytical procedures, the practitioner should (Ref: par. .A27–.A28)

- a. determine the suitability of particular analytical procedures for the subject matter, taking into account the practitioner's awareness of risks;
- b. evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available; and
- c. develop an expectation with respect to recorded amounts or ratios.

**.20** If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should (Ref: par. .A29)

- a. inquire of the responsible party about such differences and
- b. consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances.

## Inquiries and Other Review Procedures

**.21** The practitioner should inquire of the responsible party about the following: (Ref: par. .A30)

- a. Whether the subject matter has been prepared in accordance with (or based on) the criteria
- b. The practices used by the responsible party to measure, recognize, and record the subject matter
- c. Questions that have arisen in the course of applying the review procedures
- d. Communications from regulatory agencies or others, if relevant

**.22** The practitioner should consider the reasonableness and consistency of the responsible party's responses in light of the results of other review procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party.

## **Fraud, Laws, and Regulations**

**.23** The practitioner should make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.

**.24** The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .A31–.A32)

## **Incorrect, Incomplete, or Otherwise Unsatisfactory Information**

**.25** During the performance of review procedures, if the practitioner becomes aware that information coming to the practitioner's attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner's report.

**.26** If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional procedures sufficient to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated.

## **Using the Work of a Practitioner's Specialist or Internal Auditors**

**.27** When the practitioner expects to use the work of a practitioner's specialist or internal auditors, the practitioner should apply the requirements in section 205, *Examination Engagements*, and the related application guidance, as appropriate, for a review engagement.<sup>1</sup>

## **Evaluating the Results of Review Procedures**

**.28** The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. .A33–.A34)

**.29** The practitioner should evaluate the sufficiency and appropriateness of the review evidence obtained in the context of the engagement and, if necessary, attempt to obtain further review evidence. The practitioner should consider all relevant review evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A35–.A37)

**.30** If the practitioner concludes that the subject matter is materially misstated or is unable to obtain review evidence sufficient for limited assurance, the practitioner should consider the implications for the practitioner's conclusion in paragraphs .51–.60.

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<sup>1</sup> Paragraphs .36–.44 of section 205, *Examination Engagements*.

## Considering Subsequent Events and Subsequently Discovered Facts

**.31** The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the review engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A38–.A40)

**.32** The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A41–.A42)

## Written Representations

**.33** The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should (Ref: par. .A43–.A46)

- a. include the responsible party's assertion about the subject matter based on the criteria. (Ref: par. .A76)
- b. state that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.
- c. state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
- d. acknowledge responsibility for
  - i. the subject matter and the assertion;
  - ii. selecting the criteria, when applicable; and
  - iii. determining that such criteria are appropriate for the responsible party's purposes.
- e. state that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner. (Ref: par. .A45)
- f. state that it has provided the practitioner with all relevant information and access.
- g. if applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. .A46)
- h. if applicable, state that significant assumptions used in making any material estimates are reasonable.
- i. state that the responsible party has disclosed to the practitioner

- i. all deficiencies in internal control relevant to the engagement of which the responsible party is aware;
- ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and
- iii. other matters as the practitioner deems appropriate.

**.34** When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph .33 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .33. (Ref: par. .A47)

**.35** When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should

- a. acknowledge that the responsible party is responsible for the subject matter and assertion.
- b. acknowledge the engaging party's responsibility for selecting the criteria, when applicable.
- c. acknowledge the engaging party's responsibility for determining that such criteria are appropriate for its purposes.
- d. state that the engaging party is not aware of any material misstatements in the subject matter or assertion.
- e. state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion. (Ref: par. .A45)
- f. address other matters as the practitioner deems appropriate.

**.36** When written representations are directly related to matters that are material to the subject matter, the practitioner should

- a. evaluate their reasonableness and consistency with other review evidence obtained, including other representations (oral or written) and
- b. consider whether those making the representations can be expected to be well informed on the particular matters.

**.37** The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's conclusion.

## Requested Written Representations Not Provided or Are Unreliable

**.38** When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should

- a. discuss the matter with the appropriate party(ies),
- b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may

have on the reliability of representations and review evidence in general, and

- c. if any of the matters are not resolved to the practitioner's satisfaction, withdraw from the engagement.

**.39** When the engaging party is not the responsible party (Ref: par. .A47–.A49)

- a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory oral responses to the practitioner's inquiries performed in accordance with paragraph .34 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate review evidence to form a conclusion about the subject matter, the practitioner's report should contain a separate paragraph that restricts the use of the practitioner's report to the engaging party. (Paragraphs .48–.49 contain requirements for the contents of such a paragraph.)
- b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .34, a scope limitation exists, and the practitioner should withdraw from the engagement.

## Other Information

**.40** If prior to or after the release of the practitioner's report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the practitioner's report in a document that contains the subject matter or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or the practitioner's report. If on reading the other information, in the practitioner's professional judgment (Ref: par. .A50–.A51)

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

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

## Description of Criteria

**.41** The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A52–.A53)

## Forming the Conclusion

**.42** The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. In forming that conclusion, the practitioner should evaluate

- a. the practitioner's conclusion regarding the sufficiency and appropriateness of the review evidence obtained and (Ref: par. .A54)

- b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A55)

**.43** The practitioner should evaluate, based on the review evidence obtained, whether the presentation of the subject matter or assertion is misleading within the context of the engagement. (Ref: par. .A56–.A57)

## Preparing the Practitioner's Report

**.44** The practitioner's report should be in writing. (Ref: par. .A58–.A59)

**.45** A practitioner should report on a written assertion or should report directly on the subject matter. If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report. (Ref: par. .A60)

## Content of the Practitioner's Report

**.46** The practitioner's report should include the following:

- a. A title that includes the word *independent*. (Ref: par. .A61)
- b. An appropriate addressee as required by the circumstances of the engagement.
- c. An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.
- d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A62)
- e. A statement that identifies
  - i. the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion and (Ref: par. .A63–.A64)
  - ii. the practitioner's responsibility to express a conclusion on the subject matter or assertion, based on the practitioner's review. (Ref: par. .A63)
- f. A statement that
  - i. the practitioner's review 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 review to obtain limited assurance about whether any material modifications should be made to
    - (1) the subject matter in order for it to be in accordance with (or based on) the criteria (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A65) or
    - (2) the responsible party's assertion in order for it to be fairly stated.
  - iii. a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or

- the responsible party's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, the practitioner does not express such an opinion.
- iv. the practitioner believes the review provides a reasonable basis for the practitioner's conclusion.
- g. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A66)
  - h. The practitioner's conclusion about whether, based on the review, the practitioner is aware of any material modifications that should be made to (Ref: par. .A67–.A69)
    - i. the subject matter in order for it be in accordance with (or based on) the criteria (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A67) or
    - ii. the responsible party's assertion in order for it to be fairly stated.
  - i. The manual or printed signature of the practitioner's firm.
  - j. The city and state where the practitioner practices. (Ref: par. .A70)
  - k. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate review evidence on which to base the practitioner's conclusion, including evidence that
    - i. the attestation documentation has been reviewed,
    - ii. if applicable, the written presentation of the subject matter has been prepared, and
    - iii. the responsible party has provided a written assertion or, in the circumstance described in paragraph .A49, an oral assertion.) (Ref: par. .A71–.A72)

### ***Restricted-Use Paragraph***

**.47** In the following circumstances, the practitioner's report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A73–.A76)

- a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.
  - b. The criteria used to evaluate the subject matter are available only to specified parties.
  - c. The engaging party is not the responsible party, and the responsible party does not provide the written representations required by paragraph .33, but does provide oral responses to the practitioner's inquiries about the matters in paragraph .33, as provided for in paragraphs .34 and .39a. In this case, use of the report should be restricted to the engaging party. (Ref: par. .A76)
- .48** The alert should
- a. state that the practitioner's report is intended solely for the information and use of the specified parties,
  - b. identify the specified parties for whom use is intended, and (Ref: par. .A77)

- c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A78–.A80)

**.49** When the engagement is also performed in accordance with *Government Auditing Standards*, the alert that restricts the use of the practitioner's report should include the following information, rather than the information required by paragraph .48:

- a. A description of the purpose of the report
- b. A statement that the report is not suitable for any other purpose

## Reference to the Practitioner's Specialist

**.50** The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified conclusion. (Ref: par. .A81)

## Modified Conclusions

### *Misstatement of Subject Matter*

**.51** A practitioner who is engaged to perform a review engagement may become aware that the subject matter is misstated. If the misstatement is not corrected, the practitioner should consider whether qualification of the conclusion in the standard practitioner's report is adequate to disclose the misstatement of the subject matter. (Ref: par. .A82)

**.52** When the practitioner qualifies the conclusion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the matter(s) giving rise to the qualification.

**.53** The practitioner should express a qualified conclusion when the effects of a matter are material but not pervasive. A qualified conclusion is expressed as being "except for the effects" of the matter to which the qualification relates. When the effects of a matter are material and also pervasive, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .A83)

**.54** If the practitioner has concluded that the material misstatement results in a qualified conclusion, the practitioner should report directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.

**.55** If the practitioner believes that qualification of the conclusion in the standard practitioner's report is not adequate to indicate the misstatements in the subject matter, the practitioner should withdraw from the engagement.

**.56** The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities.

**.57** When the conclusion is qualified, reference to an external specialist is permitted when such reference is relevant to an understanding of the qualification to the practitioner's conclusion. The practitioner should indicate in the practitioner's report that such reference does not reduce the practitioner's responsibility for that conclusion.

### *Scope Limitations*

**.58** If the practitioner is unable to obtain sufficient appropriate review evidence, a scope limitation exists. When a scope limitation exists, the practitioner

should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .A84–.A86)

## Responsible Party Refuses to Provide a Written Assertion

**.59** If the engaging party is the responsible party and refuses to provide the practitioner with a written assertion as required by paragraph .11, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation.

**.60** When the engaging party is not the responsible party and the responsible party refuses to provide the practitioner with a written assertion, the practitioner may report on the subject matter but should disclose in the practitioner's report the responsible party's refusal to provide a written assertion and should restrict the use of the practitioner's report to the engaging party. (Ref: par. .A87–.A88)

## Communication Responsibilities

**.61** The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, as well as uncorrected misstatements. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A89)

## Documentation

**.62** The practitioner should prepare engagement documentation that is sufficient to determine (Ref: par. .A90–.A93)

- a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including
  - i. the identifying characteristics of the specific items or matters tested;
  - ii. who performed the engagement work and the date such work was completed;
  - iii. the discussions with the responsible party or others about findings or issues that, in the practitioner's professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place;
  - iv. when the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations; the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations; or that the written representations are otherwise not reliable, the matters in paragraph .38;
  - v. when the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .33, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .33, in accordance with paragraph .34; and

- vi. who reviewed the engagement work performed and the date and extent of such review.
- b. the results of the procedures performed and the review evidence obtained.

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

**.64** If, in circumstances such as those described in paragraph .32, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document

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

## Application and Other Explanatory Material

### Conduct of a Review Engagement (Ref: par. .05–.07)

**.A1** For example, if a practitioner was reviewing pro forma financial information, section 105, this section, and section 310, *Reporting on Pro Forma Financial Information*, would be relevant.

**.A2** Review procedures generally are limited to inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate review evidence, a review engagement may not be appropriate.

### Agreeing on the Terms of the Engagement (Ref: par. .08 and .09b)

**.A3** It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.

**.A4** A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:

- a. A statement that a review is designed to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria
- b. A statement that the objective of a review is the expression of a conclusion in a written practitioner's report about whether the

practitioner is aware of any material modifications that should be made to

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

### **Requesting a Written Assertion (Ref: par. .11)**

**.A5** The language of the responsible party's written assertion in paragraph .11 may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .11 include the following:

- The subject matter is presented in accordance with (or based on) the criteria.
- The subject matter achieved the objectives, for example, when the objectives are the criteria.

**.A6** Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner's report. Such persons may contend that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons' responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to request a written assertion from the responsible party that covers the entire relevant period(s) still applies.

**.A7** Paragraph .33a requires the practitioner to request a written representation from the responsible party that is the same as the responsible party's assertion. If the responsible party provides the practitioner with the written representation in paragraph .33a, the practitioner need not request a separate written assertion, unless a separate written assertion is called for by the engagement circumstances. (Ref: par. .11)

**.A8** A practitioner may also be engaged to assist the responsible party in measuring or evaluating the subject matter against the criteria in connection with the responsible party providing a written assertion. Regardless of the procedures performed by the practitioner, the responsible party is required to accept responsibility for its assertion and the subject matter and may not base its assertion solely on the practitioner's procedures.<sup>2</sup>

### **Planning and Performing the Engagement (Ref: par. .12–.13)**

**.A9** Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists. Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members, and facilitates the direction, supervision, and the review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner's specialists. The nature and extent of planning activities will vary with

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<sup>2</sup> The "Nonattest Services" subtopic (ET sec. 1.295) of the AICPA Code of Professional Conduct addresses the practitioner's provision of nonattest services for an attest client.

the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:

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

**.A10** The practitioner may decide to discuss elements of planning with the appropriate party(ies) to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party's personnel). Although these discussions often occur, the elements of planning remain the practitioner's responsibility. When discussing planning matters, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.

**.A11** Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or review evidence obtained, the practitioner may need to revise the nature, timing, and extent of planned procedures.

**.A12** In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of, and communication among, team members is easier. In such cases, planning the engagement need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team.

**.A13** Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when

- considering the characteristics of the subject matter;
- assessing the suitability of the criteria;

- considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist);
- establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors;
- developing expectations when performing analytical procedures;
- designing and performing procedures; and
- evaluating review evidence, including the reasonableness of the written representations received by the practitioner.

In some review engagements, the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter.

## Materiality in Planning and Performing the Engagement (Ref: par. .14)

**.A14** Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner's professional judgment.

**.A15** Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the level of assurance, that is, for the same intended users, materiality for a review engagement is the same as it is for an examination engagement because materiality is based on the information needs of intended users and not the level of assurance.

**.A16** In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the subject matter. The practitioner's consideration of materiality is a matter of professional judgment and is affected by the practitioner's perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users

- a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.
- b. understand that the subject matter is measured or evaluated and reviewed to appropriate levels of materiality and have an understanding of any materiality concepts included in the criteria.
- c. understand any inherent uncertainties involved in measuring or evaluating the subject matter.
- d. make reasonable decisions on the basis of the subject matter taken as a whole.

Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.

**.A17** Qualitative factors may include the following:

- The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators
- The wording chosen with respect to subject matter that is expressed in narrative form, for example, the wording chosen does not omit or distort the information
- The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation
- The nature of a misstatement
- Whether a misstatement affects compliance with laws or regulations
- In the case of periodic reporting on a subject matter, the effect of an adjustment that affects past or current information about the subject matter or is likely to affect future information about the subject matter
- Whether a misstatement is the result of an intentional act or is unintentional
- Whether a misstatement is significant with regard to the practitioner's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter
- Whether a misstatement relates to the relationship between the responsible party and, if different, the engaging party or its relationship with other parties

**.A18** Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are

- expressed numerically or
- otherwise related to numerical values.

**.A19** The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs .A14–.A18. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.

## **Procedures to Be Performed (Ref: par. .16–.18)**

**.A20** Review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the practitioner with a reasonable basis for obtaining limited assurance. However, the practitioner may determine it is appropriate to perform additional procedures if the practitioner determines such procedures to be necessary in order to meet the objectives of this section.

**.A21** The degree to which procedures beyond analytical procedures and inquiry may be performed may be influenced by factors specific to the engagement. The practitioner may substitute other procedures that provide equivalent levels of review evidence.

**.A22** Information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was

based. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter, if appropriate.

**.A23** In some cases, a subject-matter AT-C section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter AT-C section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

**.A24** Review procedures generally are limited to inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate review evidence, a review engagement may not be appropriate.

**.A25** The results of the practitioner's analytical procedures and inquiries may modify the practitioner's risk awareness.

**.A26** The practitioner may become aware of a matter(s) that causes the practitioner to believe that the subject matter may be materially misstated when, for example, performing analytical procedures if the practitioner identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. In such cases, the practitioner's investigation of such differences may include inquiring of the responsible party or performing other procedures as appropriate in the circumstances.

## **Analytical Procedures (Ref: par. .19–.20)**

**.A27** An understanding of the purposes of analytical procedures and the limitations of those procedures is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires professional judgment by the practitioner.

**.A28** Analytical procedures involve comparisons of expectations developed by the practitioner to recorded amounts or ratios developed from recorded amounts. The practitioner develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the practitioner's understanding of the subject matter; the practices used by the responsible party to measure, recognize, and record the subject matter; and, if applicable, the industry in which the entity operates.

**.A29** Analytical procedures in a review engagement are not designed to identify misstatements with the level of precision expected in an examination engagement. Further, when significant fluctuations, relationships, or differences are identified, appropriate review evidence in a review engagement may often be obtained by making inquiries of the responsible party and considering responses received in the light of known engagement circumstances without obtaining additional evidence required in the case of an examination engagement.

## **Inquiries and Other Review Procedures (Ref: par. .21)**

**.A30** The practitioner is not ordinarily required to corroborate the responsible party's responses with other review evidence.

## **Fraud, Laws, and Regulations (Ref: par. .24)**

**.A31** In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example

- discuss the matter with the appropriate party(ies).
- request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
- consider the implications of the matter in relation to other aspects of the engagement, including the practitioner's planning and the reliability of written representations from the responsible party.
- obtain legal advice about the consequences of different courses of action.
- communicate with third parties (for example, a regulator).
- withdraw from the engagement.

**.A32** The actions noted in paragraph .A31 also may be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may also be appropriate to describe the matter in a separate paragraph of the practitioner's report, unless the practitioner

- a. is precluded by the responsible party from obtaining sufficient appropriate review evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraph .58 applies or
- b. concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .51–.57 apply.

## **Evaluating the Results of Review Procedures (Ref: par. .28–.29)**

**.A33** Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner's conclusion. (See paragraph .42b.)

**.A34** "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

**.A35** Sufficient appropriate review evidence is necessary to support the practitioner's conclusion and report.

**.A36** The sufficiency and appropriateness of review evidence are interrelated. Sufficiency of review evidence is the measure of the quantity of review

evidence. The quantity of the review evidence needed is affected by the risks of material misstatement and also by the quality of such review evidence.

**.A37** Whether sufficient appropriate review evidence has been obtained on which to base the practitioner's conclusion is a matter of professional judgment.

### **Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. .31–.32)**

**.A38** For certain subject-matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.

**.A39** Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information

- contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies
- obtained through other professional engagements for that entity

**.A40** If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner's report from being misled, appropriate actions the practitioner may take include

- disclosing the event in the report and modifying the practitioner's conclusion.
- withdrawing from the engagement.

**.A41** Subsequent to the date of the practitioner's report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the report and, if so, whether persons are currently using or likely to use the report and related subject matter or assertion who would attach importance to these facts. This may include discussing the matter with the appropriate party(ies) and requesting the appropriate party(ies)'s cooperation in whatever investigation or further action that may be necessary. The specific actions to be taken in a particular case by the appropriate party(ies) and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter or assertion needs revision and whether the previously issued report continues to be appropriate.

**.A42** Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party(ies) to persons who would attach importance to these facts and who are currently using, or are likely to use, the practitioner's report who would attach importance to the facts is necessary. This may be the case, for example, when

- a. the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and
- b. issuance of a subsequent report is not imminent.

If the appropriate party(ies) failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends upon the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure

of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.

### **Written Representations (Ref: par. .33–.34, .35e, and .39a)**

**.A43** Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics.

**.A44** Representations by the responsible party cannot replace other review evidence the practitioner could reasonably expect to be available. Although written representations provide review evidence, they do not provide sufficient appropriate review evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other review evidence that the practitioner obtains.

**.A45** A discussion of what is considered a material effect on the subject matter or assertion may be included explicitly in the representation letter in qualitative or quantitative terms.

**.A46** A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.

**.A47** Certain subject-matter AT-C sections do not permit the practitioner to perform the alternative procedures described in paragraphs .34 and .39a (making inquiries of the responsible party and restricting the use of the practitioner's report).

### **Requested Written Representations Not Provided or Not Reliable (Ref: par. .39)**

**.A48** Even when the responsible party provides oral responses to the matters in paragraph .33, the practitioner may find it appropriate to consider whether there are significant concerns about the competence, integrity, ethical values, or diligence of those providing the oral responses or whether the oral responses are otherwise not reliable and the potential effect, if any, on the practitioner's report.

**.A49** Paragraph .11 provides an exception to the requirement for a written assertion when the engaging party is not the responsible party. Nonetheless, because the assertion is the representation called for by paragraph .33a, application of paragraph .39a requires the practitioner to obtain an oral assertion, when a written assertion is not obtained. Paragraph .39b applies when the responsible party provides neither a written nor an oral assertion.

### **Other Information (Ref: par. .40)**

**.A50** Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following:

- Requesting the appropriate party(ies) to consult with a qualified third party, such as the appropriate party(ies)'s legal counsel
- Obtaining legal advice about the consequences of different courses of action
- If required or permissible, communicating with third parties (for example, a regulator)
- Describing the material inconsistency in the practitioner's report
- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation

**.A51** Other information does not include information contained on the appropriate party(ies)'s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .40.

### Description of Criteria (Ref: par. .41)

**.A52** The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter.

**.A53** A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.

### Forming the Conclusion (Ref: par. .42–.43)

**.A54** The practitioner's professional judgment regarding what constitutes sufficient appropriate review evidence is influenced by such factors as the following:

- The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter or assertion
- The effectiveness of the responsible party's responses to address the known risks
- The experience gained during previous examination or review engagements with respect to similar potential misstatements
- The results of procedures performed, including whether such procedures identified specific misstatements
- The source and reliability of the available information
- The persuasiveness of the review evidence
- The practitioner's understanding of the responsible party and its environment

**.A55** A review engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the planned procedures were based may come to the practitioner's attention, for example

- the extent of the misstatements that the practitioner detects is greater than expected. (This may alter the practitioner's

professional judgment about the reliability of particular sources of information.)

- the practitioner may become aware of discrepancies in relevant information or conflicting or missing review evidence.
- procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.

**.A56** In making the evaluation required by paragraph .43, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include

- the measurement or evaluation methods used when the criteria allow for choice among methods;
- significant interpretations made in applying the criteria in the engagement circumstances;
- subsequent events, depending on their nature and significance; and
- whether there have been any changes in the measurement or evaluation methods used.

**.A57** Paragraph .43 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter, assertion, or criteria or all matters users may consider in making decisions based on the presentation.

### Preparing the Practitioner’s Report (Ref: par. .44–.45)

**.A58** Oral and other forms of expressing a conclusion can be misunderstood without the support of a written practitioner’s report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the Internet.

**.A59** This section does not require a standardized format for reporting on all review engagements. Instead, it identifies the basic elements that the practitioner’s report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.

**.A60** All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .54 exist.

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

## Content of the Practitioner's Report

### ***Title (Ref: par. .46a)***

**.A61** A title indicating that the practitioner's report is the report of an independent practitioner (for example, "Independent Practitioner's Report," "Report of Independent Certified Public Accountant," or "Independent Accountant's Review Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.

### ***Criteria (Ref: par. .46d)***

**.A62** The practitioner's report may include the criteria or refer to them if they are included in the subject matter presentation, in the assertion, or are otherwise readily available.

### ***Relative Responsibilities (Ref: par. .46e)***

**.A63** Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter, and the practitioner's role is to independently express a conclusion about it.

**.A64** The practitioner may wish to expand the discussion of the responsible party's responsibility, for example, to indicate that the responsible party is responsible for the preparation and presentation of the subject matter in accordance with (or based on) the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error.

### ***Statement About the Subject Matter and Criteria (Ref: par. 46f(ii)[1])***

**.A65** The language in paragraph .46f(ii)(1) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .46f(ii)(1) include, "to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to

- be presented in accordance with (or based on) the criteria."
- meet the objectives," for example, when the objectives are the criteria.

### ***Inherent Limitations (Ref: par. .46g)***

**.A66** In some cases, identification of specific inherent limitations may be required by an AT-C section. To communicate specific inherent limitations, the illustrative practitioner's report on a review of pro forma financial information under section 310, for example, indicates that the objective of pro forma financial information is to show what the significant effects on the historical financial information might have been had the transaction (or event) occurred at an earlier date and that the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the specified transaction (or event) actually occurred earlier.<sup>3</sup> When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.

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<sup>3</sup> Paragraph .18k and examples 2 and 3 in paragraph .A24 of section 310, *Reporting on Pro Forma Financial Information*.

**Conclusion (Ref: par. .46h)**

**.A67** The practitioner's conclusion can be worded either in terms of the subject matter and the criteria (for example, "Based on our review, we are not aware of any material modifications that should be made to the XYZ schedule in order for it to be in accordance with [or based on] the ABC criteria.") or in terms of an assertion made by the responsible party (for example, "Based on our review, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.").

**.A68** A single practitioner's report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and review level related to others, or an unmodified conclusion on some aspects or assertions and a modified conclusion on others).

**.A69** A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter, in the written assertion, or in the report, even if the subject matter for the preceding date or period is not presented.

**Location (Ref: par. .46j)**

**.A70** In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.

**Date (Ref: par. .46k)**

**.A71** Including the date of the practitioner's report informs the intended users that the practitioner has considered the effect on the subject matter and on the report of events that occurred up to that date.

**.A72** Because the practitioner expresses a conclusion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate review evidence has been obtained until evidence is obtained that all of the elements that the subject matter or assertion comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.

**Restricted Use Paragraph (Ref: par. .47 and .48b-c)**

**.A73** A practitioner's report for which the conditions in paragraph .47 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.

**.A74** A practitioner's report that is required by paragraph .47 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner's report that is for general use. In such circumstances, the use of the general use report is not affected.

**.A75** A practitioner may also issue a single combined practitioner's report that includes (a) a practitioner's report that is required by paragraph .47 to

include an alert that restricts its use, and (b) a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headers, the alert that restricts the use of the report may be limited to the report required by paragraph .47 to include such an alert. In such circumstances, the use of the general use report is not affected.

**.A76** The representations required by paragraph .33 include an assertion. If the engaging party is not the responsible party and the responsible party provides an oral assertion, rather than a written assertion, paragraph .47c calls for an alert that restricts the use of the practitioner's report to the engaging party.

**.A77** The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

**.A78** In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.

**.A79** The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party, that the intended use of the report will be restricted and may obtain the responsible party's agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.

**.A80** In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to the restricted-use report in which it is not named as a specified party.

## **Reference to the Practitioner's Specialist (Ref: par. .50)**

**.A81** The practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's specialist.

## **Modified Conclusions (Ref: par. .51–.53)**

**.A82** A practitioner may issue an unmodified conclusion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.

**.A83** Pervasive effects on the subject matter are those that, in the practitioner's professional judgment

- a. are not confined to specific aspects of the subject matter;
- b. if so confined, represent or could represent a substantial proportion of the subject matter; or
- c. in relation to disclosures, are fundamental to the intended users' understanding of the subject matter.

### **Scope Limitations (Ref: par. .58)**

**.A84** The procedures performed in a review engagement are, by definition, limited compared with those performed in an examination engagement. Limitations known to exist prior to accepting a review engagement are a relevant consideration when establishing whether the preconditions for a review engagement are present, in particular, whether the practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's conclusion. (See section 105.)<sup>4</sup> If a further limitation is imposed by the appropriate party(ies) after a review engagement has been accepted, it may be appropriate to withdraw from the engagement, when withdrawal is possible under applicable laws and regulations.

**.A85** The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation. However, when the engaging party is not the responsible party, paragraph .34 enables the practitioner to make inquiries of the responsible party, and if the responsible party's oral responses enable the practitioner to conclude that the practitioner has sufficient appropriate review evidence to form a conclusion about the subject matter, paragraph .39a indicates that this would not cause a scope limitation. Further, paragraph .39a requires that the practitioner's report, in these circumstances, contain an alert paragraph that restricts the use of the report to the engaging party.

**.A86** An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate review evidence by performing alternative procedures.

### **Responsible Party Refuses to Provide a Written Assertion (Ref: par. .60)**

**.A87** The following is an example of the disclosure required by paragraph .60:

Attestation standards established by the American Institute of Certified Public Accountants require that we request a written statement from [identify the responsible party] stating that [identify the subject matter] that we reviewed has been accurately measured or evaluated. We requested that [identify the responsible party] provide such a written statement but [identify the responsible party] refused to do so.

**.A88** The practitioner's report discussed in paragraph .60 is appropriate only when the engagement is to report on the subject matter; it is not appropriate for a report on an assertion. When reporting on an assertion, the practitioner is required to obtain a written assertion from the responsible party.

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<sup>4</sup> Paragraph .25b(iii) of section 105, *Concepts Common to All Attestation Engagements*.

## Communication Responsibilities (Ref: par. .61)

**.A89** Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party, include deficiencies in internal control identified during the engagement, or bias in the measurement, evaluation, or disclosure of the subject matter.

## Documentation (Ref: par. .62)

**.A90** Documentation includes a record of the practitioner's reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

**.A91** It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

**.A92** In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.

**.A93** Documentation ordinarily includes a record of

- issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
- conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions.
- conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements.
- the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

.A94

## Exhibit—Illustrative Practitioner’s Review Reports

The illustrative practitioner's review reports in this exhibit meet the applicable reporting requirements in paragraphs .44–.60. A practitioner may use alternative language in drafting a review report, provided that the language meets the applicable requirements in paragraphs .44–.60. The criteria for evaluating the subject matter in examples 1 and 3 have been determined by the practitioner to be suitable and available to all users of the report; therefore, these reports may be for general use. The criteria for evaluating the subject matter in example 2 are suitable but available only to specified parties; therefore, use of this report is restricted to the specified parties who either participated in the establishment of the criteria or can be presumed to have an adequate understanding of the criteria. (See paragraph .48 for the information to be included in a separate paragraph of the report that contains an alert that restricts the use of the report and paragraph .49 for the content of that paragraph when the engagement is also performed in accordance with *Government Auditing Standards*.)

### Example 1: Practitioner’s Review Report on Subject Matter; Unmodified Conclusion

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

#### Independent Accountant's Review Report

*[Appropriate Addressee]*

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

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in accordance with (or based on) the criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

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

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

Based on our review, we are not aware of any material modifications that should be made to *[identify the subject matter; for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, in order for it to be in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

## **Example 2: Practitioner's Review Report on an Assertion; Unmodified Conclusion; Use of the Report Is Restricted to Specified Parties**

The following is an illustrative practitioner's report for a review engagement in which the practitioner has reviewed the responsible party's assertion and is reporting on that assertion. Although suitable criteria exist for the subject matter, use of the report is restricted to specified parties because the criteria are available only to the specified parties.

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

*[Appropriate Addressee]*

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

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertion in order for it to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

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

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

Based on our review, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

**Example 3: Practitioner's Review Report on Subject Matter;  
Qualified Conclusion**

The following is an illustrative practitioner's report for a review engagement in which the practitioner expresses a qualified conclusion because the review identified conditions that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter, based on the criteria. The practitioner has reviewed the subject matter and is also reporting on the subject matter. Paragraph .53 states, "If the practitioner has concluded that the material misstatement results in a qualified conclusion, the practitioner should report directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement."

**Independent Accountant's Review Report**

*[Appropriate Addressee]*

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

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in accordance with (or based on) the criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

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

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

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

Based on our review, except for the matter(s) described in the preceding paragraph, we are not aware of any material modifications that should be made to *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, in order for it to be in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*