October 12, 2018

Mr. Mike Glynn  
Audit and Attest Standards  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

RE: Proposed Statement on Standards for Attestation Engagements, Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification

Dear Mr. Glynn:

We appreciate the opportunity to provide comments on the Auditing Standards Board (the Board) proposed Statement on Standards for Attestation Engagements, Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (Proposed Standard).

We considered the Proposed Standard and the dissents from Board members to its being released for exposure. We believe many of the areas highlighted in the dissents have merit. While we recognize the substantial efforts by many in drafting the Proposed Standard, we believe the breadth of the concerns expressed by Board members warrants re-deliberations and possible re-exposure before a final standard is released, specifically:

- Whether the proposed changes to further converge with ISAE 3000(Revised) are necessary;
- Whether there is sufficient guidance to alleviate potential threats to independence that may result from non-attest services being provided in conjunction with an attestation engagement;
- Whether the proposed changes to AT-C section 215, Agreed-Upon Procedures are appropriate; and
- Whether an assertion from management is necessary in certain circumstances including when performing engagements in accordance with the subject-matter chapters.

To assist with the Board’s efforts to improve the attestation standards, we have included our responses to the specific requests for comment. We ask that these responses be viewed in light of our overall comments in the preceding paragraph.
Request for Comment 1 – Provide your views on the proposed changes that affect all attestation engagements, including whether the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

Eliminating requirement to request a written assertion from the responsible party when reporting directly on subject matter

We acknowledge challenges in applying the requirements of SSAE No. 18 to obtain a written assertion in all instances in circumstances when management has not separately measured the criteria or performed procedures in advance of the attestation engagement. Writing assertions for agreed-upon procedures engagements has proven particularly challenging because the assertion may not directly link to the procedures performed or the procedures are requested as a basis for an assertion. We believe further deliberation is necessary with respect to when written assertions should be required and the specific criteria a practitioner should consider when evaluating whether it would be necessary to obtain a written assertion, specifically with regard to certain subject matter chapters affected by conforming amendments.

Because we believe obtaining an assertion may be appropriate in more circumstances than just when the practitioner is reporting on the assertion, the requirements and application material for a written assertion should be retained, if not expanded to guide the practitioner’s judgment. We believe that eliminating substantially all the requirements that address what to do when the engagement is assertion-based, as well as introducing the notion that in such instances a written assertion is no longer considered necessary, will result in confusion between the responsibilities of management and the practitioner as it relates to the assertion, and inconsistencies in practice.

Adding a statement to the practitioner’s report regarding independence

With regard to including a statement that the practitioner is independent and has fulfilled the other ethical responsibilities in the practitioner’s report, our position is the same as expressed in our comment letter response to the proposed changes to the auditor’s report dated May 16, 2018 in which we stated that if such a statement were to be required, the statement should converge with the reporting standards of the Public Company Accounting Oversight Board (PCAOB).

Further, we believe including such an independence statement will be challenging without also including transparency regarding the extent of non-attest services provided relative to the subject matter. ISAE 3000 (Revised) requires that the measurer or preparer be identified in the report for transparency regarding how the practitioner was involved with the subject matter so that users may consider the practitioner’s objectivity.

Changes to terminology for ISAE 3000(Revised) convergence

While we appreciate that the responsible party may not always be the engaging party, we believe the existing construct of SSAE No. 18 generally works and would benefit from more specificity with regard to the identification of the responsible party. The notion of a responsible party is fundamental to the practitioner’s evaluation of independence.
Consequently, we believe the use of the terms “responsible party” and “engaging party” is preferable to the term “appropriate party”. The Proposed Standard has many instances where it is unclear as to whether the appropriate party can be the engaging party or responsible party, and inconsistency in usage of the terms within the Proposed Standard may create confusion for both the practitioner and the parties to the engagement with respect to who is ultimately responsible and for what. Examples to assist practitioners in the determination of an appropriate responsible party would facilitate both consistency in practice and in how independence is evaluated.

We believe that written representations from all parties to the engagement is important to attestation engagements, and therefore it would be clearer to specifically indicate which required representations are relevant to the different parties.

**Request for Comments 2 and 3 – Provide your views on the proposed changes to examination and review engagements.** Specifically, indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements. With respect to paragraph .A81 of proposed AT-C section 205 and paragraph .A68 of proposed AT-C section 210, do the application paragraphs provide sufficient guidance to enable a practitioner to supplement or expand the content of the practitioner’s report if the practitioner wishes to do so? If not, what additional guidance is needed?

- We support the following proposed changes to examination and review engagements, with further refinement of the requirements and application material:

  - When SSAE No. 18 was exposed, we expressed our view that written representations are foundational to assurance engagements. We do not support eliminating the requirement to modify the report when one or more requested written representations are not obtained irrespective of whether there is a corresponding identification of which representations are of specific significance. We recommend that the Board consider a requirement similar to AU-C section 580, *Written Representations*, in that specific representations, if not obtained, should continue to result in a report modification or withdrawal from the engagement.

  - When engaged to review management’s assertion, we believe that the new requirement at AT-C 210.44 (practitioner should use professional judgment to determine whether management has a reasonable basis for making its assertion) should be part of preconditions for the engagement rather than as part of reporting. Further, we believe practitioners would benefit from more application guidance (examples) regarding considerations for evaluating whether or not management has a reasonable basis for the assertion.

  - Reinforcing practitioners’ ability for reporting flexibility as included in paragraphs AT-C 205.A81 and AT-C 210.A68 beyond the minimum required reporting elements are generally welcomed. However, without additional guidance on what is meant by “clearly separated and phrased in a manner that makes clear that is not intended to detract from
that opinion” we believe the lack of consistency and comparability may result. For example, confusion may be created if a user considers two sustainability review engagement reports on the same subject matter, one of which included a description of procedures performed but the other did not. Both achieved the same level of assurance, but users might incorrectly perceive that the report without detailed procedures provides less assurance. Therefore, the Board should provide additional guardrails around what’s acceptable or not for adding to the minimum reporting elements, such as what level of detail would be “acceptable” and situations where such expansion of the report would be expected.

**Request for Comment 4 – Provide your views on the proposed changes to AT-C section 210.** Specifically, please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements. Are the illustrative reports clear and understandable with respect to the differences between a limited assurance engagement and an examination engagement? What are the potential benefits or implications of requiring the practitioner to include a description of the procedures performed in a limited assurance engagement? Also, please provide your views regarding whether an adverse conclusion is appropriate in a limited assurance engagement.

**Changes in term review engagement to limited assurance engagement**

The term review engagement is widely recognized and is used consistently in other professional standards such as PCAOB AS 4105, Reviews of Interim Financial Information, AICPA AU-C section 930, Interim Financial Information, and AICPA AR section 90, Review of Financial Statements, where the objective is to identify whether any material modifications should be made to the subject matter of the review. Without a corresponding change across all AICPA standards, users could be confused or presume that there is a difference between a limited assurance engagement and an AU-C interim review or an AR review, when they have similar objectives and levels of assurance.

**Types of procedures that may be performed in a limited assurance engagement and the requirement for the inclusion of a description of the work performed as a basis for the conclusion in the report**

Our feedback on providing the practitioner with flexibility to include description of the procedures performed is consistent with our feedback under Comment 2 and 3 above.

In addition, specific to illustrative report Example 4: Practitioner’s Limited Assurance Report on a Greenhouse Gas (GHG) Statement; Unmodified Conclusion, we recommend the Board re-consider the words used to describe the procedures performed. In particular, the term review is included in AT-C 215.A22 as an example of a word to avoid for agreed-upon procedures engagements because it is not sufficiently precise. The term “undertook” is also vague. While recognizing that the illustrative report is not under AT-C section 215, we believe it is not appropriate to use words to describe limited assurance procedures that are inappropriate when no conclusion is expressed.
Allow the practitioner to express an adverse conclusion

We support the Proposed Standard allowing for adverse conclusions for reviews when, facts and circumstances support the practitioner’s judgment, that such a conclusion is appropriate rather than the current requirement to withdraw from the engagement.

Request for Comment 5 – Provide your views on the proposed changes to AT-C section 215. Please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

Further, please specifically consider the following questions in your response:

1. Is the proposed expansion of the practitioner’s ability to perform procedures and report in a procedures-and-findings format beyond that provided by AT-C section 215 needed and in the public interest?

2. Do the proposed revisions to AT-C section 215 appropriately address the objective of providing increased flexibility to the practitioner in performing and reporting on an agreed-upon procedures engagement while retaining the practitioner’s ability to perform an agreed-upon procedures engagement as contemplated in extant AT-C section 215?

3. Do you agree with the proposed revision to AT-C section 215, whereby no party would be required to accept responsibility for the sufficiency of the procedures and, instead, the practitioner would be required to obtain the engaging party’s acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement?

We are supportive of the Board’s efforts to modernize the agreed-upon procedures standard to recognize where practice has appropriately evolved. However, the Proposed Standard significantly changes key features of the existing agreed-upon procedures standard which is regularly used and understood by users. Moreover:

- We understand the reason for replacing the term “sufficiency of the procedures”, which is because there may be circumstances where the procedures performed are a part of the engaging parties overall objectives. In all instances, however, we believe the engaging party has to agree to the procedures performed and provide specific written representations.

- The requirement to include a description of the intended purpose of the agreed-upon procedures engagement was expressly removed as a requirement with the issuance of SSAE No. 18 based on the notion that the intended purpose was not necessary if the procedures and findings were transparent. We continue to believe the intended purpose is not necessary. Further, when under the Proposed Standard, no one is responsible for the
sufficiency of the procedures, adding the intended purpose could potentially mislead users to believe that the practitioner is responsible for the sufficiency of the procedures detailed in achieving the intended purpose of the engagement.

- Regarding the proposed revisions to written representations:
  - The application material would not require responsible party representations if the engagement is required by law or regulation or the responsible party doesn’t agree with having an attest engagement performed. As written, this could result in instances where no written representations are obtained, which we think is inappropriate.
  - The requirement for the practitioner to request a written representation stating whether the subject matter has been measured or evaluated against the criteria is reasonable, however, there is no application material addressing when it would be appropriate to eliminate this required representation when the practitioner is engaged to assist with the measurement of the subject matter. Moreover, we recommend that the Board consider including such information in the report to provide transparency to the users.
  - We continue to believe that agreed-upon procedures reports should be restricted use unless certain facts and circumstances exist.

**Request for Comment 6 – Provide views on prohibiting the performance of a limited assurance engagement on certain subject matter: (a) prospective financial information, (b) internal control or (c) compliance with requirements of specified laws, regulations, rules, contracts or grants.**

The inherent nature of the subject matters listed do not ordinarily allow practitioners to have the basis to perform a review, even when considering the proposed expanded procedures for limited assurance engagements. Accordingly, we believe the Proposed Standard should continue to prohibit the review engagements for these subject matters.

**Request for Comment 7 – Provide views on proposed effective date and prohibition on early implementation.**

In consideration of our belief that the Proposed Standard will need further deliberations, we do not provide a view on the proposed effective date.

**Other Comments**

While we acknowledge the proposed requirements in AT-C 205.15 and AT-C 210.13 to make inquiries of internal audit and specialists is from ISAE 3000(Revised), we believe additional guidance is necessary as to what such inquiries should include, particularly if not directly relevant to the subject matter of the examination or review.

The attestation standards do not contain the same level of guidance as the auditing standards, particularly around concepts such as subsequent discovery of facts or omitted procedures. We believe that additional guidance is necessary on specific topics that do affect attestation engagements but currently guidance exists only in the auditing standards that is often adapted...
Mr. Mike Glynn  
American Institute of Certified Public Accountants  
October 12, 2018  
Page 7

to the circumstances. To better assist practitioners and drive consistency, we would be happy to work with the Board or a task force it designates to accumulate practice questions and propose solutions for the Board’s consideration.

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We appreciate the Board’s consideration of our comments and observations. If you have any questions regarding our comments included in this letter, please do not hesitate to contact Ilene Kassman (212-909-5667 or ikassman@kpmg.com).

Sincerely,

KPMG LLP