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Ernst & Young LLP
One Manhattan West
New York, NY 10001-8604

Tel: +1 212 773 3000
ey.com

Ms. Sherry Hazel
Audit and Attest Standards – Public Accounting
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105
Email: CommentLetters@aicpa-cima.com

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Proposed Statement on Standards for Attestation Engagements, Scope Limitations in a Review Engagement

Dear Ms. Hazel,

We appreciate the opportunity to provide comments to the Auditing Standards Board (ASB) on its proposed Statement on Standards for Attestation Engagements (SSAE), *Scope Limitations in a Review Engagement*, which would amend SSAE No. 22, *Review Engagements*, as amended (AICPA, Professional Standards, AT-C section 210).

We support the objective of the proposed narrow scope amendments that would allow a practitioner to issue a qualified conclusion due to a scope limitation and, when withdrawal from the engagement is not possible under applicable law or regulation, to disclaim a conclusion due to a scope limitation. The Appendix contains our responses to the ASB's requests for comments. We would be pleased to discuss our comments with members of the ASB or its staff.

Sincerely yours,

Ernst & Young LLP

Appendix – Responses to request for comments

1. Do respondents agree that narrow scope revisions to AT-C section 210 are needed to address the potential practice issue? If not, why not?

Yes, we agree that narrow scope revisions to AT-C section 210 are needed.

2. Do respondents believe that the proposed effective date of the SSAE is appropriate? If not, why not?

Yes, we believe that the proposed effective date would be appropriate.

3. Do respondents agree that the proposed revisions to paragraph .30 and the related application material to permit alternative actions when a scope limitation exists are appropriate? If not, why not?

Yes, we agree that the proposed revisions to paragraph .30 and the related application material would be appropriate.

4. Do respondents agree that the proposed revisions to paragraph .53 and the associated application material to allow a practitioner to issue a qualified conclusion for a scope limitation that is material but not pervasive are appropriate? If not, why not?

Yes, we agree that the proposed revisions to paragraph .53 and the related application material would be appropriate.

5. Do respondents agree with the ASB's proposal to permit the practitioner to issue a disclaimer of conclusion when

- the practitioner is unable to obtain sufficient appropriate review evidence on which to base the practitioner's conclusion;
- the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive; and
- withdrawal is not possible under applicable law or regulation?

If not, why not?

Yes, we agree with the ASB's proposal to permit the practitioner to issue a disclaimer of conclusion in the circumstances described in paragraph .61.

6. Do respondents agree with the proposed amendments and additions to incorporate the scope limitation concepts throughout AT-C section 210? If not, why not?

We agree with the proposed amendments and additions. However, we recommend the following revisions to the proposed amendments to paragraphs .39, .55 and A95 below to align with the corresponding paragraphs in AT-C section 205, *Assertion-Based Examination Engagements*:

".39 When the engaging party is not the responsible party (Ref: par. A53-A56)

- 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 .47-.48 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 determine the effect on the report in accordance with paragraph .30, or the practitioner should whether to express a qualified conclusion or withdraw from the engagement when withdrawal is possible under applicable law or regulation. If the practitioner determines that a qualified conclusion is not appropriate and that it is not possible to withdraw from the engagement, the practitioner should disclaim a conclusion."

".55 The practitioner should express a qualified conclusion when, in the practitioner's professional judgment, the effects or possible 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 practitioner expresses a qualified conclusion due to a material misstatement of the subject matter in such instances, the practitioner should indicate that based on the practitioner's review, except for the effects or possible effects of the matter(s) giving rise to the qualification, the practitioner is not aware of any material modifications that should be made to the subject matter for it to be in accordance with the criteria or the responsible party's assertion for it to be fairly stated. When the qualification arises from an inability to obtain sufficient appropriate review evidence, the practitioner should use the corresponding phrase "except for the possible effects of the matter(s) ..." for the qualified conclusion. (Ref: par. A41 and .A98)"

".A95 The three types of modified conclusions are a qualified conclusion, an adverse conclusion, and a disclaimer of conclusion. The decision regarding what type of modified conclusion is appropriate depends on the following:

- a. The nature of the matter giving rise to the modification (that is, whether a material modification is or, in the case of an inability to obtain sufficient appropriate review evidence, may be necessary for the subject matter of the engagement to be in accordance with [or based on] the criteria, or in the case of an inability to obtain sufficient appropriate review evidence, may be materially misstated)
- b. The practitioner's professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement"

7. Are there any additional requirements or application guidance needed to allow practitioners to appropriately consider the impact of scope limitations in a review engagement? If so, please provide details of the specific requirements or application guidance that should be included in AT-C section 210.

We do not believe any additional requirements or application guidance would be needed.