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

Dear Ms. Hazel,

Ernst & Young LLP appreciates the opportunity to comment to the American Institute of Certified Public Accountants (AICPA) on the proposed Statement on Standards for Attestation Engagements (SSAE), Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (clarified attestation standards) issued by the Auditing Standards Board (ASB).

We support the AICPA’s objective to expand the instances when a practitioner can perform and report on procedures that would provide more opportunities for companies to enhance the value of the reports they provide to customers, employees, suppliers and other stakeholders. While we believe that there is significant market demand for this type of service expansion, we believe the ASB’s proposal to eliminate many of today’s requirements for agreed-upon procedures (AUP) engagements could have unintended consequences for certain specified parties when practitioners perform and report on AUPs related to contracts and regulations. Therefore, we support the creation of a new type of engagement similar to the selected procedures engagement the AICPA proposed in September 2017.

We do not support the AICPA’s objective of making changes to its attestation standards to more closely align them with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) issued in 2013, beyond what it did when the clarified attestation standards were issued in 2016. The ASB intentionally did not adopt certain aspects of ISAE 3000 at that time, including the requirement that a practitioner perform an examination or a review engagement without requesting a written assertion from the responsible party. We do not believe that this or any of the other proposed changes (e.g., review engagement naming change, expanding the procedures in a review engagement) are needed or warranted.
We believe the proposal would create an unnecessary burden on responsible parties and report users who would need to become familiar with and adapt to the proposed changes. We also believe that compliance with the proposed changes would create an unnecessary burden on practitioners who were recently trained on the clarified attestation standards as well as firms that changed their internal policies, procedures and guidance as a result of those clarifications.

We believe the ASB should conduct a post-implementation review of the clarified attestation standards and perform outreach to report users (e.g., Financial Executives International (FEI), industry trade organizations) before moving forward with the proposal. Absent requests from practitioners, preparers or users, or an analysis of the market’s experiences with the clarified attestation standards, we see no reason to amend the standards at this time, less than 18 months after the clarified attestation standards became effective.

If the AICPA decides to move forward with the proposal, we believe that any final standard should include additional requirements and application guidance to protect report users from misunderstanding reports and to maintain the strong market perceptions of the diligence, objectiveness and independence of certified public accountants.

Our suggestions along with our responses to the questions in the proposal are discussed further in Attachment A. Attachment B includes our recommendations for addressing certain AT-C 320 practices issues if the ASB decides to move forward with the proposed amendments.

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We would be pleased to discuss our comments with members of the ASB at your convenience.

Sincerely yours,

Ernst & Young LLP
Request for comment 1: Please provide your views on the proposed changes discussed in the preceding section (Proposed Changes That Affect All Attestation Engagements). Specifically, do you believe the proposed changes to the attestation standards are understandable, and is the application guidance helpful in applying the proposed requirements?

- No longer requiring the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter (except for AT-C 320)

While we support the ASB’s proposal to retain the requirement for a practitioner to request a written assertion from the responsible party when the practitioner is engaged to report on the responsible party's assertion, we do not believe the ASB should eliminate the requirement for a practitioner to request a written assertion from the responsible party (including the corresponding requirement for the responsible party to have a basis for its assertion) when the practitioner is reporting directly on the subject matter.

We do not recommend that the ASB move forward with this proposed amendment, but if it does, we believe the practitioner should be required to not only request but also obtain written representation from the responsible party that it takes responsibility for the subject matter being in accordance with the specified criteria. If the representation is not obtained, the practitioner should be required to either withdraw from the engagement, or in the case of an examination, disclaim an opinion when the responsible party is the engaging party. When the responsible party is not the engaging party, we believe the practitioner should be able to exercise judgment, based on the facts and circumstances.

If any of these recommendations are not included as a requirement in any final standard, we believe the practitioner’s long-standing role of being the verifier of the responsible party’s responsibility to make sure the subject matter is in accordance with the criteria could change to being the initial measurer/evaluator of whether the subject matter is in accordance with the criteria.

We also believe that eliminating the requirement for a practitioner to request an assertion could increase the attestation risk for practitioners. Therefore, if the ASB moves forward with this proposed amendment, we believe the ASB should expand its application guidance to help practitioners understand the potential effect of such changes on the nature, timing and extent of procedures necessary to obtain sufficient appropriate evidence (e.g., to address the self-review risk of being the sole party that does the measurement or evaluation of the subject matter in accordance with the specified criteria).

We also believe that a practitioner should be required to request an assertion for examinations related to compliance with laws and regulations, internal controls and prospective financial information. If this assertion is not obtained, we believe the practitioner should be required to withdraw from the engagement or disclaim an opinion on the engagement.

We agree with the ASB’s proposal to remove the provision from the attestation standards that requires the practitioner to withdraw from the engagement when the responsible party is the engaging party and is unwilling to provide an assertion regarding the subject matter. We believe the
practitioner should be able to exercise judgment to make this decision to withdraw based on the facts and circumstances. However, if the practitioner decides not to withdraw, we believe the practitioner’s report should disclose the fact that the responsible party was unwilling to provide any assertions about the subject matter in accordance with specified criteria.

- **Adding a statement to the practitioner’s report regarding independence**

As noted in our comment letter¹ on the ASB’s separate proposed standard on Auditor Reporting and Addressing Disclosures in the Audit of Financial Statements, we question the usefulness of, and have concerns with, certain aspects of the proposed statement on independence in the auditor’s report. We recommend that the ASB more closely align its proposed statement on independence in the practitioner’s report for examination and review engagements to the requirements of the Public Company Accounting Oversight Board (PCAOB). We believe these changes would help reduce unnecessary differences between the AICPA audit and attestation standards and those of the PCAOB. This consistency would ultimately benefit users of auditor/practitioner reports in the US, without introducing additional performance requirements. We also believe that any statements about independence included in a practitioners’ report prepared in accordance with AT-C 215 should include additional language that, at a minimum, alerts the reader to the differences in the independence requirements in an AUP engagement compared to the requirements applicable under attest examination and review engagements.

### Request for comment 2

Please provide your views on the proposed changes discussed in the preceding section. Specifically, do you believe the proposed changes are understandable, and is the application guidance helpful in applying the proposed requirements? Please specifically consider the following question in your response:

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 on the content of the practitioner’s report if the practitioner wishes to do so? If not, what additional guidance is needed?

### Examination and review engagements

- **Adding a requirement for the practitioner to request a written representation stating whether the subject matter has been measured or evaluated against the criteria.**

We support the ASB’s proposal to add a new requirement to request a written representation from the appropriate party (the engaging party or the responsible party, if they are different) indicating whether the subject matter has been measured or evaluated against the criteria. If the responsible party does not represent that it has measured or evaluated the subject matter against the criteria, we believe the practitioner should either withdraw from the engagement or, in the case of an examination, disclaim an opinion on the subject matter, similar to the corresponding requirements under the auditing standards (AU-C 580, paragraphs 25 and 26).

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¹ Refer to our 15 May 2018 comment letter on the Proposed Statement on Auditing Standards, Auditor reporting, and Proposed Amendments, Addressing disclosures in the audit of financial statements.
Requiring the practitioner to determine whether management has a reasonable basis for its assertion when management provides an assertion

We agree that a practitioner engaged to report on assertions should assess whether the responsible party has a reasonable basis for making an assertion, which is consistent with today’s attestation standards. We note that the proposed changes refer to the appropriate party rather than the responsible party and recommend that the language used in the clarified standards remain and that the appropriate parties be referred to as the responsible party and the engaging party in any final standard.

Acknowledging the practitioner’s ability to add information to the practitioner’s report that goes beyond the minimum report elements required by AT-C sections 205 and 210

We agree that the clarified standards already allow the practitioner to add information to the practitioner’s report that goes beyond the minimum report elements required by AT-C 205 and 210. We have no objections to the proposed application guidance.

Request for comment 3: Please provide your views on the proposed changes to AT-C section 205 as discussed in the preceding section. Specifically, do you believe the proposed changes are understandable, and is the application guidance helpful in applying the proposed requirements?

Examination engagements

We disagree with the ASB’s proposal to eliminate the required report modification when (1) the responsible party refuses or is unable to acknowledge in writing its responsibility for the subject matter in accordance with (or based on) specified criteria or (2) the responsible party refuses or is unable to represent in writing that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement. We believe that in these situations, the practitioner should disclaim an opinion on the subject matter or withdraw from the engagement, which is consistent with the requirements in the audit standards.

Request for comment 4: Please provide your views on the proposed changes to AT-C section 210 as discussed in the preceding section. Specifically, do you believe the proposed changes are understandable, and is the application guidance helpful in applying the proposed requirements? Please specifically consider the following questions in your response:

1. Are the illustrative reports clear and understandable with respect to the differences between a limited assurance engagement and an examination engagement?

2. What are the potential benefits or implications of requiring the practitioner to include a description of the procedures performed in a limited assurance engagement?

3. Also, please provide your views regarding whether an adverse conclusion is appropriate in a limited assurance engagement.
Review engagements

As noted in our cover letter, we don’t believe any of the proposed changes are needed or warranted. However, if the ASB chooses to move forward with the amendments to AT-C 210, we provide the following for your consideration.

We don’t object to the ASB’s proposal to change the term “review engagement” to “limited assurance engagement.” We believe that this change can add additional clarity because the term “review” is used for a number of other engagement types (e.g., reviews of historical financial information under AR-C 90, Review of Financial Statements; reviews of interim financial information under AU-C 930, Interim Financial Information), which could create confusion about what is included in a review engagement.

We believe that the example reports included in the proposal are understandable and clearly illustrate the differences between a limited assurance engagement and an examination engagement. We also believe that requiring a practitioner to include a description of the procedures performed in a limited assurance engagement may help users to better understand the nature and extent of the evidence obtained.

However, we do not support the ASB’s proposal to allow a practitioner to express an adverse conclusion in a limited assurance engagement. We do not believe that an adverse conclusion is appropriate in these types of engagements because assessing whether a qualification is pervasive isn’t consistent with the scope of a limited assurance engagement. We also believe that permitting such conclusions under the attestation standards would create a significant difference from what’s currently permitted under AU-C 930 (the auditing standards’ equivalent of AT-C 210). We see no reason for creating this difference when both standards are intended to provide a similar level of assurance.

Request for comment 5: Please provide your views on the proposed changes to AT-C section 215 as discussed in the preceding section. Do you believe the proposed changes are understandable, and is the application guidance helpful in applying the proposed requirements? Please specifically consider the following questions in your response:

1. Is the proposed expansion of the practitioner’s ability to develop and perform procedures and issue a general-use report in a procedures-and-findings format beyond that provided by the agreed-upon procedures engagement set forth in extant AT-C section 215 appropriate to address current and future needs of the practitioner and users of the CPA service?

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?
AUP engagements

Question 1

We support the AICPA’s proposal to expand the practitioner’s ability to develop and perform procedures and issue a general-use report in a procedures-and-findings format beyond what’s provided by AT-C 215 today because we believe it would provide more opportunities for companies to enhance the value of reports they provide to customers, employees, suppliers and other stakeholders. We believe that with appropriate safeguards for users, creating a new standard (i.e., a selected procedures engagement), as the ASB proposed in 2017, would be in the public’s interest and could expand the value a certified public accountant (CPA) brings to the market.

We also believe there is significant market demand for this type of service. Today, when all of the conditions of an AUP engagement are not able to be met, companies often engage a provider who is not a CPA to perform the service, or they engage the CPA to perform another type of service (e.g., a consulting engagement that restricts the use of the report to the engaging party, an examination engagement that is more extensive and costly). However, as discussed in our response to Question 2 below, we believe any final standard issued by the AICPA should include additional reporting requirements and application guidance to provide needed information to report users. For example, additional disclosure should be required:

► When the responsible party is unwilling to represent in writing that it is responsible for the subject matter in accordance with the specified criteria
► When specified parties do not agree to the procedures described in the practitioner’s report and the subject matter relates to a contract or regulation
► When the responsible party has not performed its own evaluation or measurement of the subject matter in accordance with the specified criteria

Question 2

We support the development of a new standard (i.e., a selected procedures engagement) that would address requests that CPAs have received from companies that want CPAs to enhance their communications to various stakeholders in situations that go beyond what is permitted under the current guidance in AT-C 215. However, if the ASB does not pursue a separate project, we believe any final standard should retain the current requirements and application guidance of AT-C 215 when the subject matter relates to a contract or regulation.

We also support the proposed changes that would no longer restrict the use of all AUP reports to the specified parties that assume responsibility for the sufficiency of the procedures performed. However, we still believe the practitioner should be required to restrict the use of the report and provide disclosure when (1) the engaging party is unable to determine the party or parties responsible for the subject matter or (2) the subject matter is “sensitive” (i.e., subjects addressed in the AT-C 300 series,

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2 Refer to our 1 December 2017 comment letter on the Proposed SSAE, Selected Procedures.
internal controls, cybersecurity risk management programs and information related to the sale of securities and the party responsible for the subject matter refuses to provide a representation that the subject matter is in accordance with the criteria.

In addition, for subject matter that is “not sensitive,” when the responsible party is unwilling to provide a representation acknowledging its responsibility that the subject matter is in accordance with specified criteria, we believe the practitioner should consider restricting the use of the report and/or disclosing in the report the responsible party’s refusal to provide the representation. We recommend adding this example to the proposed application guidance.

The proposed changes to AT-C 215 would allow practitioners to continue using the term agreed-upon procedures when titling a report or describing the procedures performed even when the engaging party is the only party designing and acknowledging the appropriateness of the engagement procedures. Unless all specified parties have agreed to the procedures performed and use of the report is restricted to those parties, we believe titling a report as an AUP report should be prohibited to avoid misleading users of the report. In addition, when parties specified in the practitioner’s report have not acknowledged that the procedures are appropriate for the intended purpose of the engagement, we believe that fact should be disclosed in the practitioner’s report.

We believe the practitioner should continue to be required to obtain agreement from all specified parties that the procedures are appropriate for the purpose of the engagement when the subject matter of the engagement relates to a contract or regulation. We are concerned about possible unintended consequences if the engaging party is the only party required to acknowledge the appropriateness of the procedures. For example, the practitioner may unwittingly agree to perform and report on procedures prescribed only by the engaging party that may be designed to produce biased results (i.e., favor the engaging party at the expense of the other parties specified in the practitioner’s report). This would be particularly troubling if the findings in the report are used as the basis for the specified parties to take actions (e.g., pay differences identified in the findings). Also, because a practitioner could assume responsibility for the sufficiency of the procedures performed for the purpose of the engagement, obtaining acknowledgement from all specified parties would prevent the potential unintended consequence that the users of the report inappropriately interpret that the practitioner is providing assurance.

**Question 3**

We support the ASB’s proposal to require the practitioner to obtain an acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement. We believe this represents a reasonable substitute for the current guidance in AT-C 215.11 that requires the parties specified in the practitioner’s report to accept responsibility for the sufficiency of the procedures for their purposes. Because an AUP report may be used by different users (e.g., suppliers, customers, regulators) for different purposes, each user would need to determine whether, and to what extent, the procedures are sufficient for its purpose.

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3 Examples may include an engagement to perform services similar to those referred to in Statement of Position 17-1, Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services as Defined by SEC Release No. 34-72936, or an engagement to perform AUPs in connection with the sale of equity securities.
We agree that the engaging party should acknowledge that the procedures performed are appropriate for the intended purpose of the engagement. This is especially important when a general-use report is expected to be issued because users would reasonably expect a party other than the practitioner to determine that the procedures are appropriate for the intended purpose and users may not be in a position to make this assessment. In most cases, we would expect the engaging party to determine that the AUPs are appropriate for the intended purpose of the engagement. Further, we believe this proposed requirement would be consistent with the other attestation standards that require a party to take responsibility for the procedures performed.

However, because a practitioner could assume responsibility for the sufficiency of the procedures performed for the intended purpose of the engagement, users of the reports may interpret that to mean the practitioner is providing assurance, which is inconsistent with the nature of AUP engagements. This would also be inconsistent with the existing independence requirements for these engagements. We recommend that the proposed standard include language that prohibits the practitioner from assuming responsibility for the sufficiency of the procedures.

**Request for comment 6:** Should AT-C section 210 of this proposed SSAE continue to prohibit the practitioner from performing a limited assurance engagement on (a) prospective financial information; (b) internal control; or (c) compliance with requirements of specified laws, regulations, rules, contracts, or grants? Please explain the rationale for your response.

**Review engagements**

Overall, we do not believe that permitting practitioners to perform limited assurance engagements on (a) prospective financial information, (b) internal control or (c) compliance with requirements of specified laws, regulations, rules, contracts or grants would serve the public interest. We believe that AT-C 210 of the proposed SSAE should continue to prohibit practitioners from performing a review engagement on this subject matter.

In the cases where the subject matter is internal controls or compliance with contracts or regulations, users of these reports are looking for binary responses (e.g., whether the entity is in compliance with the regulation, whether the entity’s internal controls are designed and operating effectively) to questions about the subject matter and it would be inappropriate to provide limited assurance over these issues.

**Request for comment 7:** Are you supportive of the proposed effective date, specifically the prohibition on early implementation? Please provide reasons for your response.

**Effective date**

We do not believe an effective date should be finalized at this time given the significance of the proposed changes. We believe the ASB should conduct a post-implementation review of the clarified attestation standards and perform outreach to report users (e.g., FEI, industry trade organizations) before setting an effective date for the proposal. After the effective date is set, we believe early adoption should be permitted for any changes that are driven by market demand.
Attachment B – AT-C 320 practice issues and technical improvements

Summarized below are certain AT-C 320 practices issues that we’ve observed and our recommendations for addressing those issues if the ASB decides to approve the proposed amendments to the attestation standards.

Proposed additional required description criteria to align SOC 1 reports with other SOC reports

We believe an additional required description criterion should be added to AT-C 320 to align the required description criteria for Service Organization Control (SOC) 1 reports with the required description criteria for SOC 2 and SOC for Cybersecurity reports.

When management prepares a description of an entity's system in accordance with the 2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report, criterion DC 4 states:

“For identified system incidents that (a) were the result of controls that were not suitably designed or operating effectively or (b) otherwise resulted in a significant failure in the achievement of one or more of those service commitments and system requirements, as of the date of the description (for a type 1) or during the period of time covered by the description (for a type 2), as applicable, the following information:

a. Nature of each incident
b. Timing surrounding the incident
c. Extent (or effect) of the incident and its disposition”

A similar disclosure is required for SOC for Cybersecurity reports. We believe that SOC 1 system descriptions would benefit from a similar disclosure. First, the information would help entities and auditors understand and evaluate the effect on the service organization's system on internal control over financial reporting. There is currently no requirement for management to disclose significant incidents that resulted from ineffective internal control even when such deficiencies in internal control led the service auditor to modify his or her opinion. Second, disclosure of significant incidents would provide information relevant to service organization user entity filers in meeting their reporting responsibilities under Securities and Exchange Commission (SEC) rules and regulations. SEC Release Nos. 33-10459 and 34-82746 emphasize the need for issuers to disclose cybersecurity incidents and to have disclosure controls and procedures. Hence, it is reasonable to conclude that these SEC requirements also apply to functions outsourced to service organizations. Third, such a disclosure would make SOC 1 descriptions consistent with other SOC services description criteria.

We propose the following addition to AT-C 320.15 (a):

“ix. For identified system incidents that (a) were the result of controls that were not suitably designed or operating effectively or (b) otherwise resulted in a significant failure in the achievement of one or more control objectives, as of the date of the description (for a type 1) or during the period of time covered by the description (for a type 2), as applicable, the following information:

a. Nature of each incident
b. Timing surrounding the incident

c. Extent (or effect) of the incident and its disposition”

Although this addition would impose an additional obligation on the responsible party, no significant objections to this requirement were raised when the AICPA requested comment on the trust services criteria. We are also not aware of any significant objections raised by organizations that are required to provide SOC 2 reports during the pre-implementation phase of adoption of the new criteria.

Consideration of evidence obtained in prior engagements

AT-C 320.28 states, “Evidence obtained in prior engagements about the satisfactory operation of controls in prior periods does not provide a basis for a reduction in testing, even if it is supplemented with evidence obtained during the current period.” We believe that as written, the requirement prohibits the use of all evidence obtained from prior engagements and does not accurately reflect the intent of the ASB to require a practitioner to perform sufficient appropriate testing of the controls during the period under examination.

We suggest the following changes to clarify the intent of the requirement and the related application guidance:

.28 When performing a type 2 engagement, the service auditor should test those controls that management has identified in its description of the service organization’s system as the controls that achieve the control objectives and should assess the operating effectiveness of those controls throughout the period. Evidence obtained in prior engagements about the satisfactory effective operation of a control in prior periods does not provide evidence of the effective operation of the control in the current period or serve as a basis for a reduction in the extent of testing of that control, even if it is supplemented with evidence obtained during the current period. Furthermore, the service auditor’s description of tests of controls and the results thereof should describe only those tests of controls performed to obtain evidence as to the operation of controls during the period under examination.

.A48 Evidence about the satisfactory effective operation of a control in prior periods does not provide evidence of the operating effectiveness of that control during the current period. The service auditor expresses an opinion on the effectiveness of controls throughout each period; therefore, sufficient appropriate evidence about the operating effectiveness of controls throughout the current period is required for the service auditor to express that opinion for the current period. Knowledge of modifications to the service auditor’s report or deviations observed in prior engagements may, however, be considered in assessing risk and lead the service auditor to increase the extent of testing during the current period. Furthermore, when the effective operation of a control in the current period is dependent on the effective operation of a supporting control in the prior period, such evidence may be considered by the practitioner in evaluating the operating effectiveness of the supported control in the current period.
Expression of a service auditor’s opinion regarding the system description

AT-C 320.40(l)(i) and 320.41(l)(i) currently require the service auditor to express an opinion that:

“… management’s description of the service organization’s system fairly presents the service organization’s system that was designed and implemented (throughout the specified period/as of a specified date) [based on the criteria specified by management].”

The requirement to express an opinion on the fairness of the presentation of management’s description of the service organization’s system originated with Statement on Auditing Standards 70, Reports on the Processing of Transactions by Service Organizations. However, the meaning of fair presentation as it relates to examinations is not established in AT-C 205. Hence, we believe the meaning of an opinion on fair presentation is unnecessary and unclear and could be misunderstood by the specified parties. As a result of a similar concern expressed during the drafting of its SOC for Cybersecurity Guide and its SOC 2 Guide, the ASB chose to use the wording “presented in accordance with” in regard to management’s description of an entity’s cybersecurity risk management program or a service organization’s system, respectively.

We recommend the following changes to AT-C 320.40(l)(i) and 320.41(l)(i):

“… management’s description of the service organization’s system that was designed and implemented (throughout the specified period/as of a specified date) is presented in accordance with the description criteria.”

Additional conforming changes would be required throughout the section.

Illustrative service auditor’s report

During the publication of SSAE 16, the ASB concluded that it was important for management’s assertion to accompany its description of the service organization system and the service auditor’s report to enable report users to more clearly understand management’s responsibility for the description of the system and the effectiveness of controls.

However, we believe that the ASB’s purpose for including the assertion is often unclear to management of service organizations and report users. We believe AT-C 205.A121 Example 3 would better tie management’s assertion to the practitioner’s report on the subject matter by stating that the practitioner was engaged to examine management’s assertion but report directly on the subject matter. Therefore, we suggest the following modifications to AT-C 320.A76 Exhibit A Examples 1 and 2:

Scope

We have examined the management of XYZ Service Organization’s accompanying assertion entitled ‘[title of management’s assertion]’ (assertion) that the description of its [type or name of] system entitled “XYZ Service Organization’s Description of Its [type or name of] System” for processing user entities’ transactions [or identification of the function performed by the system] throughout the period [date] to [date] (description) and the suitability of the design...
Exhibit B – Illustrative assertions by management of a service organization

Paragraph A76 of AT-C 320 provides illustrations of assertions by management. In the illustrations, the actual statement of the assertion is prefaced by the statement “We confirm, to the best of our knowledge and belief, that,” which is a statement of belief rather than a “declaration or set of declarations about whether the subject matter is in accordance with (or based on) the criteria” as defined in paragraph 9 of AT-C 105. We recommend that the ASB reword the illustrations so they more closely resemble those in the management report in AU-C 940.A156 by replacing the statement noted above with the following language:

“We are responsible for designing, implementing and maintaining effective internal control over the system. We have assessed the effectiveness of the internal control over the system throughout the period [date] to [date]. Based on that assessment, we assert that ... .”