



National Association of State Boards of Accountancy

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Via email: Sherry.Hazel@aicpa-cima.com

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

Dear Members of the AICPA Auditing Standards Board (ASB):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments to the above referenced Revisions to Statement on Standards for Attestation Engagements No. 18 (the Statement). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories which includes all audit, attest and other services provided by CPAs.

In furtherance of that objective, NASBA offers the following comments on the questions as presented in the Statement.

Request for Comment 1: Proposed Changes That Affect All Attestation Engagements

Please provide your views on the proposed changes discussed in the section. Specifically, indicate whether you believe the proposed changes to the attestation standards are understandable and whether the application guidance is helpful in applying the new proposed requirements.

NASBA believes that the proposed changes to the attestation standards are understandable and the application guidance is helpful in applying the new proposed requirements.

Request for Comment 2: Proposed Changes That Affect Examination and Review Engagements

Please provide your views on the proposed changes discussed in the section. 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?

It has been a long-standing requirement of the practitioner to request a written assertion from the appropriate party when the practitioner is reporting directly on a subject matter. As the proposed Statement moves away from the requirement to obtain a written assertion, focus must be directed as to whether the appropriate party has measured and evaluated the subject matter against the criteria.

Because the proposed Statement no longer requires the written assertion and permits the reports of these engagements for general use, NASBA believes there should be a requirement to explicitly state in the report whether the appropriate party has measured or evaluated the subject matter against the criteria. Such a requirement would reduce the possibility of misunderstanding the practitioner's role with regard to the subject matter.

Request for Comment 3: Proposed Changes That Affect Only Examination Engagements

Please provide your views on the proposed changes to AT-C section 205. Specifically, please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

NASBA believes the proposed changes are understandable but recommends application guidance when the practitioner is unable to obtain one or more requested written representations.

The proposed Statement eliminates the long-standing requirement to modify the report when the practitioner is unable to obtain requested written representations, and permits the practitioner to use professional judgment in determining whether sufficient appropriate evidence has been obtained by performing other procedures.

Although the current proposed application guidance provides circumstances in which the practitioner may be unable to obtain the requested written representation, it does not explain how a practitioner might determine that sufficient appropriate evidence has been obtained in such situations. NASBA recommends adding application guidance to assist the practitioner in making this determination.

Request for Comment 4: Proposed Changes That Affect Only Review Engagements

Please 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 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.

NASBA believes the proposed changes are understandable and the application guidance and illustrative reports should be helpful. NASBA has no further comments.

Request for Comment 5: Proposed Changes to AT-C Section 215

Please provide your views on the proposed changes to AT-C section 215 as discussed in the preceding section. 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?

NASBA believes the proposed changes are 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?

As stated in NASBA's November 27, 2017 letter to the Accounting and Review Service Committee on the Selected Procedures proposal, NASBA continues to believe a party other than the practitioner has to be responsible for the appropriateness of the procedures. While we

acknowledge there will be situations where the practitioner suggests procedures to be performed, the standard should be clear the appropriateness of the procedures remain the responsibility of the requesting, responsible and/or engaging party. NASBA believes the practitioner would not be independent if the practitioner is, or is perceived to be, responsible for the appropriateness of the procedures.

Paragraph.A52 of proposed AT-C section 215 permits a practitioner to include an explicit statement in the report that the practitioner makes no representation regarding the appropriateness of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose. NASBA suggests that this statement be required in general use reports and when users of the report have not explicitly agreed to the procedures to be performed. For example, by modifying some of the language in AT-C 215.A69 Example 3, all AUP reports should include language such as the following (comparable to extant): “The appropriateness of the procedures is solely the responsibility of the users of this report, and we make no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.”

NASBA believes the examples beginning at paragraph A69 of proposed AT-C section 215 should be improved by providing an example of the intended purpose in the sample reports.

Request for Comment 6: Prohibition on the Performance of a Limited Assurance Engagement on Certain Subject Matter

Should AT-C section 210 of this proposed SSAE continue to prohibit the practitioner from performing 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.

NASBA agrees with the proposed Statement’s continuing to prohibit the practitioner from performing limited assurance engagements on prospective financial information, internal control, or compliance requirements of specified laws, regulations, rules, contracts or grants.

The goals of the attestation standards are to provide guidance, define a measure of quality and set boundaries around a growing service line. Areas (subject matter) in which performing limited assurance engagements are prohibited are those in which management’s responsibilities are central to the subject matter and well understood. By their nature, these areas are more subjective and require more professional expertise and judgment. There is greater potential for misunderstanding the degree of reliability of the information and, therefore, more risk to the public. Considering the other sweeping changes to long-standing requirements in this proposed Statement, NASBA believes it is appropriate to continue to prohibit performing limited assurance engagements on these subject areas.

Request for Comment 7: Effective Date

Are respondents supportive of the proposed effective date, specifically the prohibition on early implementation? Please provide reasons for your response.

NASBA is supportive of the proposed effective date, including the prohibition on early implementation.

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We appreciate the opportunity to comment on the Statement.

Very truly yours,



Theodore W. Long, Jr., CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO