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SSAE hierarchy; Statement on standards for attestation engagements 14

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Statement on Standards for Attestation Engagements

Issued by the Auditing Standards Board

November 2006

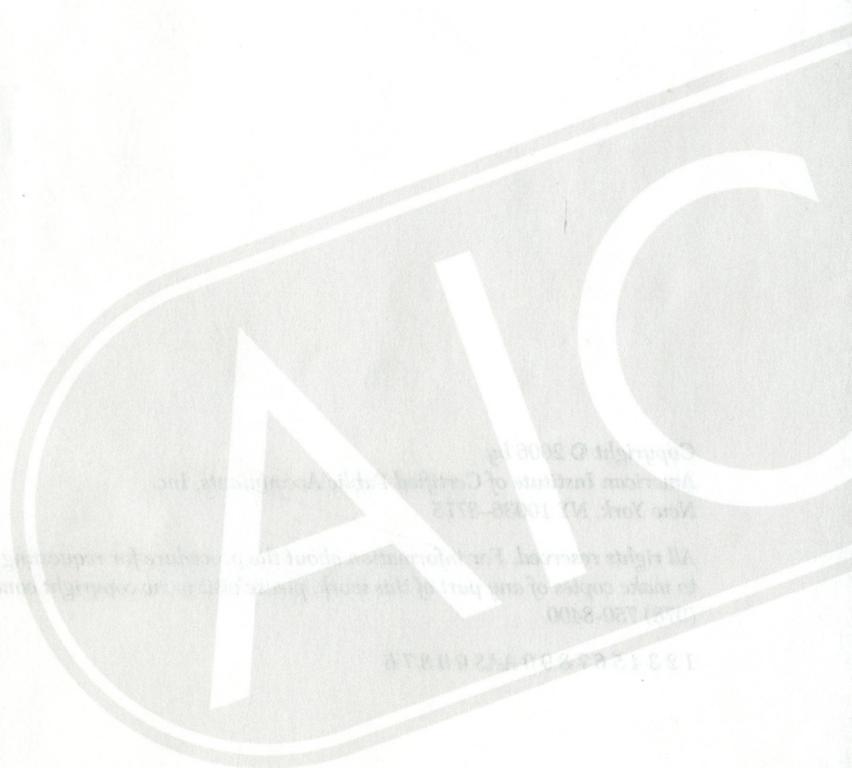
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AICPA[®]

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SSAE Hierarchy

(AICPA, Professional Standards, vol. 1, AT sec. 50)



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SSAE Hierarchy

1. A practitioner plans, conducts, and reports the results of an attestation engagement in accordance with attestation standards. Attestation standards provide a measure of quality and the objectives to be achieved in the attestation engagement. Attestation procedures differ from attestation standards. Attestation procedures are acts that the practitioner performs during the course of the attestation engagement to comply with the attestation standards.

Attestation Standards

2. The general, fieldwork, and reporting standards (the 11 attestation standards) approved and adopted by the membership of the AICPA, as amended by the AICPA Auditing Standards Board (ASB), are as follows:

General Standards

1. The practitioner must have adequate technical training and proficiency to perform the attestation engagement.
2. The practitioner must have adequate knowledge of the subject matter.
3. The practitioner must have reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users.
4. The practitioner must maintain independence in mental attitude in all matters relating to the engagement.
5. The practitioner must exercise due professional care in the planning and performance of the engagement and the preparation of the report.

Standards of Fieldwork

1. The practitioner must adequately plan the work and must properly supervise any assistants.
 2. The practitioner must obtain sufficient evidence to provide a reasonable basis for the conclusion that is expressed in the report.
-

*Standards of Reporting*¹

1. The practitioner must identify the subject matter or the assertion being reported on and state the character of the engagement in the report.
2. The practitioner must state the practitioner's conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated in the report.
3. The practitioner must state all of the practitioner's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto in the report.
4. The practitioner must state in the report that the report is intended solely for the information and use of the specified parties under the following circumstances:
 - When the criteria used to evaluate the subject matter are determined by the practitioner to be 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.
 - When the criteria used to evaluate the subject matter are available only to specified parties.
 - When reporting on subject matter and a written assertion has not been provided by the responsible party.
 - When the report is on an attestation engagement to apply agreed-upon procedures to the subject matter.

Footnote 1 is also to be added to the heading *Standards of Reporting* preceding paragraph 63 of Chapter 1, "Attest Engagements," of Statement on Standards for Attestation Engagements No. 10, *Attestation Standards: Revision and Recodification*.

3. Statements on Standards for Attestation Engagements (SSAEs) are issued by senior technical bodies of the AICPA designated to issue pronouncements on attestation matters. Rule 202, *Compliance With Standards*, of the AICPA Code of Professional Conduct requires an AICPA member who performs an attestation engagement (the practitioner) to comply with such pronouncements.² SSAEs are developed and issued through a due process that includes

1. The reporting standards apply only when the practitioner issues a report.

2. In certain engagements, the practitioner also may be subject to other attestation requirements, such as Government Auditing Standards issued by the comptroller general of the United States.

deliberation in meetings open to the public, public exposure of proposed SSAEs, and a formal vote. The SSAEs are codified within the framework of the 11 attestation standards.

4. The nature of the 11 attestation standards and the SSAEs requires the practitioner to exercise professional judgment in applying them. When, in rare circumstances, the practitioner departs from a presumptively mandatory requirement, the practitioner must document in the working papers his or her justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.³

Attestation Interpretations

5. Attestation interpretations consist of Interpretations of the SSAEs, appendixes to the SSAEs,⁴ attestation guidance included in AICPA Audit and Accounting Guides, and AICPA attestation Statements of Position. Attestation interpretations are recommendations on the application of SSAEs in specific circumstances, including engagements for entities in specialized industries, issued under the authority of the AICPA senior technical bodies.

6. The practitioner should be aware of and consider attestation interpretations applicable to the attestation engagement. If the practitioner does not apply the attestation guidance included in an applicable attestation interpretation, the practitioner should be prepared to explain how he or she complied with the SSAE provisions addressed by such attestation guidance.

Other Attestation Publications

7. Other attestation publications include AICPA attestation publications not referred to above; attestation articles in the *Journal of Accountancy* and other professional journals; attestation articles in

3. The term *presumptively mandatory requirement* is defined in Statement on Standards for Attestation Engagements No. 13, *Defining Professional Requirements in Statements on Standards for Attestation Engagements*.

4. Appendixes to Statements on Standards for Attestation Engagements (SSAEs) referred to in paragraph 5 of this SSAE do not include previously issued appendixes to original pronouncements that, when adopted, modified other SSAEs.

the AICPA *CPA Letter*; continuing professional education programs and other instruction materials, textbooks, guide books, attest programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals.⁵ Other attestation publications have no authoritative status; however, they may help the practitioner understand and apply the SSAEs.

8. A practitioner may apply the attestation guidance included in an other attestation publication if he or she is satisfied that, in his or her judgment, it is both relevant to the circumstances of the attestation engagement, and appropriate. In determining whether an other attestation publication is appropriate, the practitioner may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying SSAEs and the degree to which the issuer or author is recognized as an authority in attestation matters. Other attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards Staff are presumed to be appropriate.

9. This Statement is effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006.

5. The practitioner is not expected to be aware of the full body of other attestation publications.

APPENDIX A

Amendment to Chapter 1, "Attest Engagements," of Statement on Standards for Attestation Engagements No. 10, *Attestation Standards: Revision and Recodification*

A1. This amendment revises the 11 attestation standards by clarifying the terminology used in describing the professional requirements imposed on the practitioner. New language is shown in boldface italics; deleted language is shown by strikethrough.

.19 The first general standard is—*The practitioner must have engagement shall be performed by a practitioner having adequate technical training and proficiency in the attest function to perform the attestation engagement.*

.21 The second general standard is—*The practitioner must have engagement shall be performed by a practitioner having adequate knowledge of the subject matter.*

.23 The third general standard is—*The practitioner shall must perform the engagement only if he or she has have reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users.*

.35 The fourth general standard is—*The practitioner must maintain In all matters relating to the engagement, an independence in mental attitude in all matters relating to the engagement shall be maintained by the practitioner.*

.39 The fifth general standard is—*The practitioner must exercise Due professional care shall be exercised in the planning and performance of the engagement and the preparation of the report.*

.42 The first standard of fieldwork is—~~The practitioner must work shall be adequately planned~~ **the work and must properly supervise any assistants.** ; ~~if any, shall be properly supervised.~~

.51 The second standard of fieldwork is—~~The practitioner must obtain S-sufficient evidence shall be obtained~~ to provide a reasonable basis for the conclusion that is expressed in the report.

.63 The first standard of reporting is—~~The practitioner report shall~~ **must identify the subject matter or the assertion being reported on and state the character of the engagement in the report.**

.66 The second standard of reporting is—~~The practitioner must report shall~~ state the practitioner's conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated **in the report.**

.71 The third standard of reporting is—~~The practitioner must report shall~~ state all of the practitioner's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto **in the report.**

.78 The fourth standard of reporting is—~~The practitioner must report shall~~ state **in the report that the report is intended solely for the information and use of the report is restricted to** specified parties under the following circumstances:

- When the criteria used to evaluate the subject matter are determined by the practitioner to be 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
- When the criteria used to evaluate the subject matter are available only to specified parties
- When reporting on subject matter and a written assertion has not been provided by the responsible party
- When the report is on an **attestation** engagement to apply agreed-upon procedures to the subject matter

This Statement titled SSAE Hierarchy was unanimously adopted by the assenting votes of 19 members of the board.

Auditing Standards Board (2005–2006)

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Note: *Statements on Standards for Attestation Engagements are issued by the Auditing Standards Board, one of the senior technical bodies of the Institute designated to issue pronouncements on attest matters. Rule 202, Compliance With Standards, of the Institute's Code of Professional Conduct requires compliance with these standards.*