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Proposed Statements on Standards for Attestation Engagements, Amendments to the Attestation Standards for Consistency with the Issuance of AICPA Standards on Quality Management

Dear Ms. Hazel,

Ernst & Young LLP (EY US) is pleased to submit this comment letter to the Auditing Standards Board (ASB) in response to the ASB's request for comments on the Proposed Statement on Standards for Attestation Engagements (SSAE), *Amendments to the Attestation Standards for Consistency with the Issuance of AICPA Standards on Quality Management (Proposed QM SSAE)*.

We support the objective of the proposed SSAE to align certain concepts related to quality management with the AICPA's suite of standards issued in June 2022 (Statement on Quality Management Standards Nos. 1 and 2, Statement on Auditing Standards (SAS) No. 146, and Statement on Standards for Accounting and Review Services No. 26) as applicable to an attestation engagement. However, we believe that additional clarification would help firms apply the proposed other practitioner requirements consistently.

The attachment contains our responses to the ASB's requests for comments and additional recommendations for your consideration. We would be pleased to discuss our comments with members of the ASB or its staff.

Sincerely yours,

Attachment – Responses to request for comments

1. Do respondents agree with the ASB's approach to revising the attestation standards to conform to and promote consistency with SQMS Nos. 1 and 2, SAS No. 146, and SSARS No. 26?

We agree with the ASB's approach to revising the attestation standards to conform to and promote consistency with SQMS Nos. 1 and 2, SAS No. 146, and SSARS No. 26.

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

We believe that the proposed effective date is appropriate.

3. Do respondents believe that the proposed revisions to paragraph .12 are appropriate? Respondents are specifically requested to provide their views on the proposed revisions to the definition of other practitioner.

We believe the proposed revisions to paragraph .12 would be appropriate. However, we recommend the following change to clarify that when a practitioner makes reference to an other practitioner in the practitioner's report, the other practitioner is never part of the engagement team:

Other practitioner. A practitioner who performs attestation procedures in connection with the engagement. An other practitioner is either (a) part of the engagement team and the practitioner uses the work of the other practitioner or (b) not part of the engagement team ~~and because~~ the practitioner makes reference to the other practitioner in the practitioner's report. An other practitioner may be part of the practitioner's firm, a network firm, or another firm.

In addition, we believe there is a risk that firms might not apply the proposed requirements consistently without sufficient guidance for determining when "a practitioner performs attestation procedures in connection with the engagement." We recommend the ASB provide additional guidance, leveraging the concepts in paragraph A91 of SQMS 1, to clarify when the definition does not apply. For example, we believe that neither the definition in the extant standards nor that in this exposure draft extends to circumstances when the practitioner is using a report issued by another practitioner as evidence (e.g., a service auditor report on a service organization's controls, unless the service organization is requested to perform further procedures for purposes of the particular engagement).

Further, because the scenarios when the practitioner uses a report of another practitioner as evidence (e.g., service organization report) are fairly common and likely to become more common (e.g., sustainability assurance engagements), we recommend that, as part of future standard-setting efforts, the ASB develop requirements and guidance for such scenarios.

Finally, we recommend that, as part of future standard-setting efforts, the ASB also develop additional guidance for group attestation engagements. For example, given that the concept of an other practitioner who is referred to by the practitioner in the practitioner's report is included in the definition, we recommend that the ASB develop guidance for when a practitioner determines to make reference to the report of an other practitioner in the practitioner's report and the use or distribution of an other practitioner's report is restricted to specified parties.

4. Do respondents agree that the preceding proposed new requirement paragraphs in AT-C section 105 are appropriate and sufficient to align with the quality management requirements for audit engagements? If not, respondents who believe that an included requirement is not appropriate are asked why they believe the requirement is not appropriate for an attestation engagement. If respondents believe that there are other changes that should be made to align with SQMS Nos. 1 and 2 and SAS No. 146, please specify those changes.

We agree that the proposed new requirement paragraphs in AT-C section 105 would be appropriate and sufficient to align with the quality management requirements for audit engagements.

5. Do respondents agree with the proposed revisions to the requirements when an other practitioner is performing attestation procedures in connection with an attestation engagement?

Yes, however, we recommend the following clarifications, because an other practitioner referred to by the practitioner in the practitioner's report is not an engagement resource but an information source, as stated in paragraph A91 of SQMS 1.

- ▶ We believe paragraph 36 of the Proposed QM SSAE should be included in a separate section immediately after the "Engagement Resources" section titled "Using the Work of An Other Practitioner" instead of including it in the "Engagement Resources" section.
- ▶ We recommend moving the last two sentences of paragraph .A72 of the Proposed QM SSAE to a separate paragraph given the reference to resources as follows:

.A72 Paragraph .35a of this section requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. Accordingly, the practitioner may involve an other practitioner to perform attestation work to fulfill the requirements of the SSAEs. ~~The engagement partner may either use the work of an other practitioner or make reference to the other practitioner in the practitioner's report. If the engagement partner determines to make reference to the other practitioner in the practitioner's report, the requirements in paragraph .35 do not apply.~~

AXX: The engagement partner may either use the work of an other practitioner or make reference to the other practitioner in the practitioner's report. If the engagement partner determines to make reference to the other practitioner in the practitioner's report, the requirements in paragraph .35 do not apply.

We also recommend the following application guidance, which is similar to that in AU-C 600 paragraph A69, to provide examples of procedures to determine whether the referred-to practitioner has the appropriate competence and capabilities as required in paragraph .36b, when the practitioner makes reference to an other practitioner:

.AXX The procedures to determine the other practitioner’s competency and capability, when the practitioner determines to make reference to the other practitioner, may include, for example, the following:

- Requesting the other practitioner to confirm the matter referred to in paragraph .36(b) in writing
- Obtaining published external inspection reports, peer review reports on the other practitioner’s firm, and other relevant publicly available information relating to the professional reputation and standing of the other practitioner.

6. Do respondents agree that the proposed new requirement paragraph .39 is appropriate?

We agree that the proposed new requirement in paragraph .39 would be appropriate.