SSAE 18 Attestation Standards: Clarification and Recodification

In April 2016, the Accounting Standards Board (ASB) released the Statement on Standards for Attestation Engagements No. 18 (SSAE 18) *Attestation Standards: Clarification and Recodification*. This release is a revised set of standards that practitioners should follow for all attestation engagements starting May 1, 2017.

The ASB released SSAE 18 standards, in part, “to address concerns over the clarity, length, and complexity” of the previous attestation standards. SSAE 18 supersedes the Statement on Standards for Attestation Engagements Nos. 10-17, except for SSAE 15, *An Examination of an Entity's Internal Control Over Financial Reporting That is Integrated With an Audit of Its Financial Statements* (AT Sec. 501 and AT Sec. 9501) and chapter 7 (Management's Discussion and Analysis) of SSAE 10 (AT sec. 701). Please note that while the various types of attestation engagements were previously addressed by separate sets of standards (SSAE 10-17), they are now all consolidated into one set of standards (SSAE 18).

Changes and Updates to Standards

Perhaps the most important and impactful update within the SSAE 18 release is the consolidation and recodification of the Attest Standards (AT) to the Clarified Attest Standards (AT-C). In the previous Statement of Standards (SSAE 10-17) there were 10 separate Attestation Standards that were required to be adhered to, depending on the type of engagement. These were as follows:

- AT Section 101 (SSAE 10, 11, 12, and 14) *Attestation Engagements*
- AT Section 201 (SSAE 10, and 11) *Agreed-Upon Procedure Engagements*
- AT Section 301 (SSAE 10, 11, and 17) *Financial Forecasts and Projections*
- AT Section 401 (SSAE 10) *Reporting on Pro Forma Financial Information*
- AT Section 601 (SSAE 10) *Compliance Attestation*
- AT Section 701 (SSAE 10) *Management's Discussion and Analysis*
- AT Section 20 (SSAE 13) *Defining Professional Requirements in Statements on Standards for Attestation Engagements*
- AT Section 50 (SSAE 14) *SSAE Hierarchy*
- AT Section 501 (SSAE 15) *An Examination of an Entity's Internal Control Over Financial Reporting That is Integrated with an Audit of Its Financial Statements*
- AT Section 801 (SSAE 16) *Reporting on Controls at a Service Organization*

Please note that although standards AT Section 501 and AT Section 701 are still listed within SSAE 18, all other standards have been consolidated and renamed. The predominant section in SSAE 18 is AT-C Section 105, *Concepts Common to all Attestation Engagements*. This section lists out specific objectives, verbiage, and requirements, that all “engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner’s examination, review, or agreed-upon procedures report on subject matter or an assertion about subject matter that is the responsibility of another party”.
In addition to this section, which must be followed by all attestation engagements, SSAE 18 has issued the following updated standards:

- AT-C Section 205 Examination Engagements
- AT-C Section 210 Review Engagements
- AT-C Section 215 Agreed-Upon Procedures
- AT-C Section 305 Prospective Financial Information
- AT-C Section 310 Reporting on Pro Forma Financial Information
- AT-C Section 320 Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting

Convergence with International Standards

Due to the rapid globalization of businesses, with many companies having operations and entities in different countries, the ASB aimed to converge the standards listed within SSAE 18 with the International Standard on Assurance Engagements No. 3000 (ISAE 3000) (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. SSAE 18 refers to ISAE 3000 as “the foundation for AT-C Section 105, Concepts Common to All Attestation Engagements; AT-C section 205, Examination Engagements; and AT-C Section 210, Review Engagements”.

Although the new standards are closely aligned to the international standards, there are certain provisions of ISAE 3000 that the ASB chose not to include within SSAE 18, including, but not limited to, allowing a practitioner to issue an examination or review report without a written assertion from the responsible party. According to SSAE 18, “a practitioner is not permitted to issue an examination or review report if the practitioner has not obtained a written assertion from the responsible party, except when the engaging party is not the responsible party.” Additionally, please note that the ISAE 3000 standards do not address agreed-upon procedures engagements, which is covered within AT-C Section 215 Agreed-Upon Procedures Engagements within SSAE18.

History of Attestation for Service Organizations

Many companies rely on service organizations to provide products or services that are used in the operations and/or security of the company. When looking at the overall structure of a company’s environment and processes, an audit team may determine that the product or service provided by a service organization is relevant for the assessment of the company, and, as such, must perform an assessment of the service organization as well. In an effort to centralize the attestation standards that audit teams should adhere to when assessing service organizations, in 1992, the ASB, an authoritative body within the American Institute of Certified Public Accountants (AICPA), created the Statement on Auditing Standards no. 70 (SAS 70) Service Organizations. Over time, the number of service organizations used by companies, as well as the relevance of the services being provided, increased and there was a need to update the standards accordingly. In 2010, the ASB released the Standards for Attestation Engagements No. 16 (SSAE 16) Reporting on Controls at a Service Organization.

Service Organization Controls (SOC) Reporting Changes

One of the most important sections within SSAE 18 is AT-C Section 320 Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting, which supersedes the previous AT Section 801 Reporting on Controls at a Service Organization (SSAE 16).
The differences with the updated standard includes, but is not limited to, the following:

- **Stronger emphasis on service organizations to conduct risk assessments to identify vulnerability areas that threaten the achievement of the control objectives stated within the report.**
- **Service auditors must evaluate the risk assessment performed by the service organization and ascertain whether all risks are addressed.**
- **Service organizations must monitor the effectiveness of controls at the subservice organizations, whether these subservice organizations are inclusive or “Carved Out” of the report. This update requires management to perform additional procedures to gain comfort over the operation and security of their subservice providers. These procedures can include, but are not limited to:**
  - Evaluating the accuracy and completeness of system-generated reports provided
  - Holding periodic discussions with the subservice organization personnel
  - Holding regular site visits to the subservice organization
  - Reviewing SOC reports of the subservice organization’s systems
- **Service auditors are required to evaluate the accuracy and completeness or system-generated reports that are provided by the service organizations and used to test the controls listed within the report.**
- **The “Management’s Assertion” portion of the report now has a required format and criteria to be followed. This change assists in the fair presentation of reports, so that they remain consistent regardless of the type of service that is provided by the service provider.**
- **New terminology is introduced within the new standards, including the updated definition of “Misstatements”, “Risk of Material Misstatement (ROMM)” and “Exceptions”.**

### SSAE 18– What Can We Attest To?

One of the focuses of SSAE 18 is to allow practitioners more flexibility to create and execute engagement frameworks that are better suited for the client’s needs. Whereas the previous standards had a stricter outline of the subject matter that attestation engagements can fall under, the new standards allow for nearly any client need, as long as the following criteria is met:

- **The party responsible for the subject matter is someone other than the practitioner and takes responsibility for the subject matter**- This refers to the independence of the practitioner. The purpose of this provision is to ensure that the attestation is being conducted by someone without any stake in the subject being attested to.

- **The subject matter is appropriate**- Although this is a heavily subjective provision, SSAE 18 gives some guidelines for practitioners to follow when assessing the appropriateness of the subject matter. The standards state that an appropriate subject matter “is identifiable and capable of consistent measurement or evaluation against the criteria” and “can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate.” Although these criteria are specifically mentioned within the report, the ASB places the burden of measuring or evaluating the subject matter of an attestation engagement on the responsible party of the attestation, i.e. the party responsible for the subject matter.
The criteria to be used in evaluating the subject matter are suitable and available. The characteristics listed for suitableness of criteria are as follows: Relevance (Criteria are relevant to the subject matter); Objectivity (Criteria are free from bias); Measurability (Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter); and completeness (Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter).

The standards also state that for any attestation engagements, the practitioner should expect to be able to obtain evidence needed to arrive at an opinion, conclusion, or findings through unrestricted access of relevant information and people who could provide the evidence. The practitioner's opinion, conclusion, or findings should be documented in a written report which will be published as a result of the engagement.

This update in criteria needed for the subject matter allows for a wider variety of possibilities for attestation. The potential impact of this is that stakeholders of a company (employees, shareholders, etc.) can gain additional assurance on subject matters that are specific to the company, which can help companies mature more rapid than before.

How We Can Help

The Risk and Advisory Services team at Morrison, Brown, Argiz & Farra, LLC (MBAF), have taken a proactive approach to getting to understand in detail the revisions and upgrades associated with the new SSAE 18 standard. Our team consists of dedicated employees with positions in all major accounting societies, including the Florida State Board of Accountancy, which gives us a unique insight and perspective on these, and all updates by the AICPA and PCAOB.
About MBAF

As a member of Baker Tilly International, MBAF provides our clients with access to unprecedented depth and scope of resources, while maintaining the highly personalized service for which we are known. Baker Tilly International is one of the world’s leading networks of independently owned and managed accountancy and business advisory firms united by a commitment to provide exceptional client service.

- 125 member firms
- 147 countries
- 796 offices
- 33,600 people

MBAF is one of the top firms in the country. Founded in 1969, we are ranked nationally as a Top 40 accounting and advisory firm and have been named one of the Best of the Best firms in the country by INSIDE Public Accounting for many years running.

About our Risk & Transaction Advisory Practice

MBAF’s Risk & Transaction Advisory team is comprised largely of former Big 4 professionals (CPA, CIA, CISA). As a seasoned, accessible, and well-coordinated team, we execute efficiently and with a high level of quality. We have extensive experience with highly complex, technical accounting matters. We have worked successfully with all of the Big 4 firms and other large audit firms, including working with their respective national offices. Our experience encompasses a wide spectrum of projects ranging from assisting emerging growth companies with accounting consultations and policy writing, to large-scale Fortune 500 global internal control projects with complex coordination and execution efforts. Our high quality, dedicated Risk and Transaction Advisory team has meaningful SEC and PCAOB experience.

MBAF’s Risk & Transaction Advisory practice creates value for emerging growth, mid-cap, and Fortune 500 companies.

- Technical Accounting
- IPO Readiness
- Sarbanes-Oxley
- Internal Audit
- Process improvement
- IT Risk
- Enterprise Risk Management
- SEC Reporting

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Fill the GAAP, SSAE 18 Attestation Standards: Clarification and Recodification