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American Institute of Certified Public Accountants (AICPA)

Canadian Institute of Chartered Accountants

AICPA/CICA Electronic Commerce Assurance Services Task Force

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GUIDE TO PRACTITIONERS AND USERS OF A THIRD PARTY SERVICE PROVIDER PRACTITIONER REPORT IN A *WEBTRUSTSM* ENGAGEMENT

Version 1.0

June 1999

FOREWORD TO GUIDE

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Certain retail web clients rely upon a third party service provider (TPSP), such as an Internet Service Providers (ISP) or another third party web-hosting service, to perform key processing and administer security relating to the web site. It is not uncommon for a TPSP to host a number of retail web client sites on servers it manages.

This situation can cause difficulties for a retail web client who wants to obtain a *WebTrust* report on its retail site. There may be certain controls that are needed to satisfy the AICPA/CICA *WebTrust Criteria* that are the primary responsibility of the TPSP or that may be a shared responsibility between the TPSP and the retail client. Issues arising as a result of this shared responsibility are not covered in the existing AICPA/CICA *WebTrust Criteria*.

As a result, in situations where specific services and/or activities of relevance in a *WebTrust* engagement for a *WebTrust* client are outsourced or otherwise performed by a TPSP, additional guidance to the *WebTrust* auditor is required.

This guide provides non-authoritative guidance to those performing examinations at the TPSP level, where the examination is being performed for the stated purpose of providing assurance to *WebTrust* clients, (i.e., the organization engaging in electronic commerce activities) and their practitioners with respect to controls at the TPSP. In addition, this guide provides the *WebTrust* practitioner with guidance on the professional judgements that need to be made in deciding:

- whether or not to accept an engagement when controls relevant to meeting such criteria are provided by a TPSP,
- whether to rely on the work of another practitioner,
- the form and content of the *WebTrust* practitioner's report in these circumstances, and
- the nature and extent of procedures to be performed when relying on the work of another practitioner.

This guide has been prepared by a sub-task force of the AICPA/CICA Electronic Commerce Assurance Services Task Force that is chaired by Everett C. Johnson. The sub-task force was initially chaired by Michael F. Deniszczuk who retired from the committee in August, 1998. The guide was completed under the chairmanship of Donald E Sheehy. We thank the members of the sub-task force, Bruce R. Barrick, Joseph G. Griffin, and Christian R. Stormer for their significant efforts in completing this guide. We thank the other members of the Electronic Commerce Assurance Services Task Force for their timely review and comment.

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TPSP GUIDE

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INTRODUCTION

Background

Certain retail web clients (for example, web catalog stores or stores in virtual electronic malls) rely upon a third party service provider (TPSP), such as an Internet Service Providers (ISP) or another third party web-hosting service, to perform key processing and administer security relating to the web site. In this situation, certain services, such as web hosting, fulfillment and settlement are outsourced to the TPSP. It is not uncommon for a TPSP to host a number of retail web client sites on servers it manages.

This situation can cause difficulties for a retail web client who wants to obtain a *WebTrust* report covering its retail site. There may be certain controls that are needed to satisfy the AICPA/CICA *WebTrust Criteria* that are the primary responsibility of the TPSP or that may be a shared responsibility between the TPSP and the retail client. It is expected that the main areas of shared responsibility would be concentrated in controls relating to the transaction integrity and information protection *WebTrust Criteria*.

In situations where specific services and/or activities of relevance in a *WebTrust* engagement for a *WebTrust* client are outsourced or otherwise performed by a TPSP, additional guidance to the *WebTrust* practitioner is required.

In order to determine that the organization seeking a *WebTrust* examination meets the *WebTrust Criteria*, the *WebTrust* practitioner would be required to gain assurance about relevant controls at the TPSP. Such assurance would be required on those controls performed by the TPSP, on behalf of the *WebTrust* client, that contribute to meeting the *WebTrust Criteria*.

In the absence of being able to rely on an practitioner's report for the TPSP, the practitioner for each client using the TPSP's services would likely be required to visit the TPSP to perform an engagement for those retail web clients. Such a visit would be needed to perform testing of the relevant controls at the TPSP needed to satisfy the *WebTrust Criteria* for the retail web client. This is unlikely to be satisfactory to the TPSP.

As a result, it would be preferable for a *WebTrust* practitioner to be able to obtain and rely on a report on controls of a TPSP in order to be able to render a *WebTrust* report.

The purpose of this guide is to provide non-authoritative guidance to both a TPSP practitioner for preparing a report that could be used by a retail *WebTrust* practitioner (Part I) and to the *WebTrust* practitioner for relying on the work of the TPSP practitioner (Part II).

Definitions

For purposes of this guidance document, the following definitions are used to identify the various organizations/entities that may enter into discussions regarding electronic commerce related activities that are the subject of *WebTrust* services:

WebTrust Practitioner is the Certified Public Accountant (CPA) or Chartered Accountant (CA) who has been licensed by the AICPA or CICA to perform *WebTrust* services.

WebTrust Client is an organization engaging in electronic commerce activities that it wishes to have examined by a *WebTrust* practitioner in accordance with the *WebTrust Criteria*. The *WebTrust* client is responsible for the establishment, implementation and maintenance of business and technical practices and procedures to meet the *WebTrust Criteria* and comply with its disclosure of business practices, transaction integrity and information protection.

WebTrust Customer is an end customer of the *WebTrust* client. The *WebTrust* customer is the purchaser of the *WebTrust* clients' goods, services or financial products through the electronic commerce facilities provided by, or on behalf of the *WebTrust* client.

Third Party Service Provider (TPSP) is an organization or organizations who have been contracted by the *WebTrust* client to perform specific services and/or activities, the consistent performance of which (in accordance with documented expectations), are required in order for the *WebTrust* client's *WebTrust Criteria* to be met. A common example of this form of service relationship would be in the form of a TPSP providing web server hosting and other technical services to a number of potential *WebTrust* clients.

TPSP Practitioner¹ is the Certified Public Accountant (CPA) or Chartered Accountant (CA) or other licensed public accountant who has been engaged to perform the examination (audit) of controls at the TPSP.

Conclusions

The following were fundamental to the development of guidance:

- A *WebTrust* practitioner needs to make a decision as to whether or not the engagement can be accepted. There may be situations where the processing activities and controls at the TPSP are so significant to the entire control structure/set of *WebTrust Criteria* that it is unlikely

¹ Under the Canadian assurance standards the highest level of assurance about a subject matter is obtained in an audit engagement and the professional providing the service is referred to as the auditor. Under the U.S. attestation standards, the highest level of assurance about a subject matter is obtained in an examination engagement and the professional providing the service is referred to as the practitioner. In this document, the term examination refers to both audit engagements and examination engagements and practitioner refers to both practitioner and auditor.

that the *WebTrust* practitioner would be willing to rely so extensively on the work of the TPSP practitioner. In that situation, the *WebTrust* practitioner will either need to personally perform the examination of the TPSP controls (or perform sufficient tests of the work of the TPSP practitioner) or not accept the *WebTrust* engagement.

- The TPSP examination report should be issued pursuant to the standards set out in AT section 100 (AICPA, Professional Standards, vol.1, AT section 100) or in Section 5025 in Canada.
- The TPSP examination report would typically be restricted to its intended audience to reduce the potential for misinterpretation of the report by a third party.
- Because a *WebTrust* engagement is conducted at an examination level, the TPSP engagement needs to be performed at an examination level.
- When reporting on a *WebTrust* client, the *WebTrust* practitioner:
 - In Canada, will make no reference to the work performed by the TPSP practitioner.
 - In the US, will have an option to make reference to the work of the TPSP practitioner, based on a decision of the *WebTrust* practitioner to take responsibility for the work of the TPSP practitioner.
- The difficulty of a *WebTrust* practitioner gaining access to a TPSP practitioner's working papers is expected to be an issue. It is expected that over time, the client expectations/requirements (TPSP and *WebTrust* clients/practitioners) will require disclosure of procedures performed as a portion of engagement and reporting requirements. As a result, although inclusion of details of testing under TPSP examinations is optional, such disclosure is encouraged.

Relevant standards for Canada and the US are set out in Appendix A of the Guide.

PART 1 - GUIDANCE FOR THE TPSP PRACTITIONER

Purpose

The purpose of this section is to provide guidance to those performing examinations at the TPSP, where the examination is being performed for the stated purpose of providing assurance to *WebTrust* clients and their practitioners with respect to controls at the TPSP.

Objectives of an Practitioner's Report on a TPSP

The primary objective of this practitioner's report is to provide assurance to users and practitioners that management has properly described the controls at the TPSP that impact a *WebTrust* client and that they operated effectively. A secondary objective may be to meet the specific requests of potential clients (prior to signing a contract with the TPSP) and to their practitioners for assisting in an assessment of their client's controls when performing a *WebTrust* examination. The TPSP practitioner should assume that the report will be used for both purposes and, accordingly, should determine that the description of the controls encompassed in the scope of the examination is clear, complete and not misleading to users of the TPSP report.

Users of TPSP Report

The following summary highlights the primary needs of the users of TPSP reports.

User	Primary Need
• <i>WebTrust</i> Client management	An independent assessment of the reliability of controls over the contracted TPSP services.
• <i>WebTrust</i> practitioner	Audit evidence to assist in the <i>WebTrust</i> client examination.
• TPSP management	Satisfy the needs of the above users and to possibly assist in the marketing and promotion to potential web customers and their practitioners (acknowledging that the report is intended to have limited distribution).

Standards Consideration/Other Assumptions

The engagements described herein are performed under the attestation standards (AT Section 100) in the U.S. and the assurance standards (Section 5025) in Canada. There are a limited number of differences between these standards that have been addressed.

AICPA Standards/Issues

AICPA guidance has been developed using AT section 100, incorporating certain concepts of SAS 70 to TPSP reporting. These include the concepts of including the description of the examination procedures performed (optionally) and, from AU Section 543, the ability of a *WebTrust* practitioner to make specific reference to a TPSP report as part of a *WebTrust* engagement.

CICA Standards/Issues

CICA guidance has been developed using Section 5025, *Standards for Assurance Engagements* (as either an attest or direct reporting at a high (audit) level of assurance) for the provision of *WebTrust* services, including the provision of TPSP reports to support *WebTrust* services.

CICA is incorporating certain concepts of *Handbook* Section 5900 in relation to TPSP reporting that *do not require* reporting of audit procedures performed and *preclude* the ability of a *WebTrust* practitioner to make specific reference to a TPSP report.

Underlying Assumptions

Based on the purpose of the TPSP report discussed above:

- The *WebTrust Criteria* needs to be incorporated into the standards established for the TPSP examination and report;
- Unlike either SAS No. 70 or Section 5900, the reporting will constitute an opinion on the operating effectiveness of control activities as opposed to control objectives.

Situations may arise where TPSP organizations already provide some form of third party reporting (AICPA SAS No.70, CICA Section 5900, etc.) to a broader class of customers. It is not expected that these existing reports will meet the needs for TPSP reporting in support of *WebTrust* services without modification and directly addressing the needs of individual *WebTrust* practitioners and clients.

Engagement Guidance

Independence

The TPSP practitioner should be independent of the TPSP in the same way that *WebTrust* practitioners are required to be independent of the *WebTrust* client. It is generally not practical, however, nor should it be necessary for the TPSP practitioner to be independent with respect to each retail web site that is hosted by the TPSP. Independence should be as defined by the standards set out in the country (for example, as prescribed by AICPA or the Rules of Professional Conduct or as prescribed by the Provincial Institutes of Chartered Accountants in Canada).

The TPSP practitioner should be prepared to provide the *WebTrust* practitioner with a representation concerning independence.

Professional Qualifications and Competence

By definition, the TPSP practitioner should be the Certified Public Accountant (CPA) or Chartered Accountant (CA) or other licensed public accountant who has been engaged to perform the examination of controls at the TPSP. Before undertaking the engagement, the TPSP practitioner should be satisfied that the subject matter is or will be within the collective professional expertise of the practitioner and other persons performing the assurance engagement. Ideally, the TPSP practitioner should be licensed to perform *WebTrust* examinations. In any event, the TPSP practitioner needs to be familiar with the *WebTrust Criteria* and the controls that would support them.

With this familiarity, the TPSP practitioner should be in a position to consider the nature and extent of the services provided by the TPSP and how the TPSP's controls could interrelate with those of the *WebTrust* client.

Engagement Letters

The TPSP practitioner should establish an understanding with the client regarding the services to be performed for each engagement. Such an understanding reduces the risk that either the TPSP practitioner or the TPSP may misinterpret the needs or expectations of the other party. For example, it reduces the risk that the TPSP may inappropriately rely on the TPSP practitioner to protect the entity against certain risks or to perform certain functions that are the client's responsibility. The understanding should include the objectives of the engagement, management's responsibilities, the TPSP practitioner's responsibilities, and limitations of the engagement. If the TPSP practitioner believes an understanding with the TPSP has not been established, the practitioner should decline to accept or perform the engagement.

An understanding of the terms and objectives of the engagement and the nature of the services provided should be communicated to the client, preferably in writing.

The TPSP practitioner should refer to the attestation or assurance standards, as applicable, to determine the required elements of the engagement understanding. The following elements are ordinarily included:

- The nature of the engagement (e.g., an examination)
- An identification of the *WebTrust Criteria* and any other management assertions being reported on
- A reference to the professional standards governing the engagement
- Fee, billing, and payment arrangements
- An expectation of receiving a representation letter
- A request for confirmation that the terms of the engagement have been understood and accepted.
- A general description of the nature and scope of the work to be performed
- The form of report anticipated
- The anticipated timetable for completion of our work
- The expected commitment of client personnel
- Limitations of the engagement (e.g., with respect to Year 2000).

Planning

Planning a TPSP engagement involves developing an overall strategy and identifying procedures to be performed. The procedures may vary depending upon the unique management assertions associated with the engagement. Once the procedures to be performed have been defined, other aspects of planning can be formulated. The strategy for the engagement should be included in the planning documentation.

Matters to be addressed by the TPSP practitioner in planning the engagement include:

- Scope and frequency of the engagement
- Engagement approach
- Technical competence of assigned personnel
- Timing of the work to meet user's needs
- Staffing considerations
- Use of specialists
- Engagement budgeting and monitoring
- Supervisory review and sign-off.

A work program should be prepared and be approved by appropriate supervisory personnel. The amount of detail included in the program depends on both the complexities of the engagement and the nature of the report to be issued.

An engagement budget should be developed in appropriate detail that will vary with the size of the engagement. Arrangements for monitoring it within the engagement team and with the client should be established.

Representation Letters

A representation letter:

- Requires management to focus on specific declarations
- Formalizes oral representations made to the TPSP practitioner in the course of the examination
- Reduces the possibility of misunderstandings between the TPSP practitioner and the client.

Ordinarily a representation letter would be obtained for TPSP engagements. The representations appropriate for the client will vary depending on the nature of the management's assertions, if applicable, and the nature of the engagement. At a minimum, the letter should contain the representations that (1) management has made available to the TPSP practitioner all significant information that it believes is relevant to the *WebTrust Criteria* and assertions, if applicable, and (2) management recognizes that it is primarily responsible for the presentation of the assertions. Management representations should be made as of the date of the practitioner's report, which should be the date on which fieldwork is substantially completed.

The management representation letter should be signed by persons responsible for, and knowledgeable about, the matters covered by the representations.

Other Considerations

Inclusion of Details of Testing Under TPSP Examinations

Although optional, this disclosure is encouraged. Generally, TPSP practitioner working papers are not made available to the *WebTrust* practitioner for review. As a result, it is expected that over time, the client expectations/requirements (TPSP and *WebTrust* clients/practitioners) will necessitate disclosure of examination procedures performed as a portion of engagement and reporting requirements.

Coverage of Client Specific Activities vs. Overall Procedures/Control Environment

TPSP organizations may provide a range of *WebTrust* related services to *WebTrust* clients based on individual client needs and preferences. Where this occurs, the TPSP practitioner should endeavor to perform the examination and report at a high enough level to eliminate such differences. Where this is not possible, the TPSP practitioner may need to vary the examination and reporting to accommodate significant individual client differences.

Relate Procedures Examined to WebTrust Client Requirements

The level of detail to which stated controls are described could present difficulties for *WebTrust* practitioners in assessing the relevance of a TPSP practitioner's report. The controls examined under the TPSP engagement and the related report issued should be structured for ease of integration into the work being performed by the TPSP's individual *WebTrust* client's *WebTrust* practitioner. To the extent possible, the controls examined should be disclosed in a format addressing as the first level of organization - business practice disclosure, transaction integrity

and information protection. Where possible, consultation should be made with a number of TPSP clients desiring (or potentially desiring) *WebTrust* services. This may be able to be done through a TPSP clients user group.

Period of Coverage of TPSP Examinations and Reporting

The frequency of TPSP reporting will need to integrate with the timing requirements of the TPSP's *WebTrust* clients. As the maximum interval between *WebTrust* update examinations is 90 days (three months), the timing of the TPSP reporting will have to coincide with the frequency established by the individual *WebTrust* clients. It is likely that *WebTrust* clients would be encouraged to adopt examination cycles that would support optimal TPSP reporting (likely quarterly).

- The TPSP report cannot be a report only on the design and existence of control procedures (point in time). This would not meet the continuous coverage criteria of the *WebTrust* practitioner.
- The time period covered by the TPSP practitioner's examination is critical to the *WebTrust* practitioner in assessing the TPSP's report's relevance. The period of coverage of the TPSP reporting should ideally coincide with the frequency established by the individual *WebTrust* clients. As the interval from the period covered by the TPSP practitioner's report and the period covered by the *WebTrust* practitioner's report lengthens, there would be more risk to the *WebTrust* practitioner that there could be changes in the controls at the TPSP that could impact on the *WebTrust* client. This additional risk would have to be either accepted or reduced to an acceptable level by the *WebTrust* practitioner. The period of coverage of the TPSP report should cover a substantial portion of the reporting period provided at the *WebTrust* client level. This period will have to take into account the time needed by the TPSP practitioner to complete the examination and render the TPSP report.

Inclusion of List of Clients for Whom Procedures Were Examined

There will be an expectation by the individual *WebTrust* practitioner that testing of the individual *WebTrust* client in question was included in the TPSP practitioner's examination. This is not viewed to be a significant issue since the TPSP control testing will be repeated with sufficient frequency. There is also the expectation that there would be similar sets of controls over similar types of services/transactions that would be examined by the practitioner.

This reporting issue could be handled by disclosure that the procedures should be presumed to apply to all customers or by specifying what customers or classes of customers that were or were not included.

Need to Specify What Services Are Provided by TPSP

The TPSP report needs to include a description of the services provided to *WebTrust* clients, or classes of *WebTrust* clients by way of an appendix. To the extent possible, the services should be

categorized into areas defined by the *WebTrust* Principles (i.e., business practice disclosure, transaction integrity and information protection).

Basis for TPSP Report Qualifications

The conditions leading to a TPSP report qualification are not specifically unique to TPSP reporting:

- Not all relevant controls have been included (completeness)
- The relevant controls are not in place (existence)
- Controls were not operating effectively.

When faced with a TPSP report qualification, the *WebTrust* practitioner should follow the guidance outlined within this material. This is set out at the end of the *WebTrust* practitioner guidance that follows this section.

Restrictions on Use

Although there is no requirement that the TPSP practitioner's report be restricted in its distribution, it is the preference of the Task Force that distribution be limited to use by the management of the TPSP, its customers and their *WebTrust* practitioners. The report itself covers only the part of the *WebTrust* control structure that is performed by the TPSP. By limiting distribution, the practitioner potentially limits misinterpretation by unsophisticated users.²

Documentation Requirements

Documentation requirements for this type of engagement do not differ significantly from other types of assurance engagements. The documentation should be sufficient to support the opinion expressed in the report and provide evidence that the examination was performed in accordance with accepted standards. The following aspects of a TPSP examination engagement should be considered in developing the engagement:

- Engagement understanding
- Planning activities
- Risk assessment
- Description of the system
- Evidence of understanding of the system and preliminary evaluation of the design of controls
- Testing and other examination procedures undertaken
- Written management representation regarding the controls and management's responsibilities in relation thereto
- Evaluation of audit evidence to support the opinion rendered.

² In making a decision whether to restrict distribution of the report, the TPSP practitioner should consider the likelihood that *WebTrust* practitioners may refer to the TPSP practitioner's report and the related likelihood that users of the *WebTrust* practitioner's reports will need access to the TPSP practitioner's report.

Sample TPSP Practitioner Reports

The following reports illustrate the suggested formats for reporting under AICPA standards and under CICA standards.

Both attest and direct engagements and reporting are supported in the US and Canada. The practitioner's communication will vary depending on whether the assurance engagement is an attest engagement or a direct reporting engagement. In an attest engagement, the practitioner's conclusion will be on a written assertion prepared by the accountable party. The assertion evaluates, using suitable criteria, the subject matter for which the accountable party is responsible. In a direct reporting engagement, the practitioner's conclusion will evaluate directly, using suitable criteria, the subject matter for which the accountable party is responsible.

The existence of a written assertion prepared by management does not preclude the possibility of a direct reporting engagement. In such cases, the practitioner may refer to management's assertion in describing the subject matter, but would report directly on the subject matter of the engagement.

Based on the above, either report could be used. Because the description of controls attached to the report is management's representation, the attest report is felt to be more suitable in this circumstance. Samples of both reports are provided, however.

Illustration No. 1 for Use in the United States Independent Accountant's Report

To the Management of TPSP Company, Inc.:

We have examined the assertion by the management of TPSP Company, Inc. (TPSP) that, with respect to services provided to web site customers,

- the description of controls outlined in Appendix 1 presents those controls for which TPSP is responsible that may be relevant to a customer's internal controls;
- the controls outlined in Appendix 1 operated effectively during the period _____ through _____

in conformity with the AICPA/CICA *Web Trust* Criteria.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included (1) obtaining an understanding of TPSP's services provided to its customers, who have or desire to have, a *CPA WebTrust* examination insofar as they relate to electronic commerce business practices and its controls over the processing of electronic commerce transactions and the protection of related private customer information, (2) selectively testing transactions executed in accordance with disclosed business practices, (3) testing and evaluating the operating effectiveness of the controls, and (4) performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in controls, error or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time, such as to accommodate dates in the year 2000, may alter the validity of such conclusions.

In our opinion, TPSP management's assertion, as set forth in the first paragraph, is fairly stated, in all material respects, based on the AICPA/CICA *WebTrust Criteria*.

This information has been provided to customers of TPSP and to their practitioners to be taken into consideration, along with the information about controls at customers, when evaluating the customer's controls in relation to the AICPA/CICA *WebTrust Criteria*. The relative effectiveness and significance of specific controls at TPSP and their effect on assessments of controls at customers are dependent on their interaction with the controls and other factors present at individual customer organizations. We have performed no procedures to evaluate the effectiveness of controls at individual customers.

This report is intended solely for use by the management of TPSP, its customers, and their independent *WebTrust* auditors.

XYS (Name of CPA Firm)
Certified Public Accountants
City, State
Date of Report

Illustration No. 2 for Use in the United States (Direct Report) Independent Accountant's Report

To The Management of TPSP Company, Inc.:

We have examined management's assertion that, with respect to services provided to web site customers, the description of controls outlined in Appendix 1 presents those controls for which TPSP is responsible that may be relevant to a customer's internal controls, and that these controls operated effectively during the period _____ through _____ in conformity with the AICPA/CICA *WebTrust Criteria*.

The description of controls, and the effectiveness of those controls, is the responsibility of TPSP's management. Our responsibility is to express an opinion on the conformity of the description of these controls and the effectiveness of these controls with the AICPA/CICA *Web Trust Criteria* based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included (1) obtaining an understanding of TPSP's services provided to its customers who have, or desire to have, a CPA *WebTrust* examination insofar as they relate to electronic commerce business practices and its controls over the processing of electronic commerce transactions and the protection of related private customer information, (2) selectively testing transactions executed in accordance with disclosed business practices, (3) testing and evaluating the operating effectiveness of the controls, and (4) performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in controls, error or fraud may occur and not be detected. Also, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time, such as to accommodate dates in the year 2000, may alter the validity of such conclusions.

In our opinion, the controls maintained by TPSP, as outlined in Appendix 1, are fairly described and operated effectively during the period _____ through _____, in all material respects, in conformity with the AICPA/CICA *WebTrust Criteria*.

This report is intended solely for use by the management of TPSP, its customers, and their independent *WebTrust* auditors.

XYS (Name of CPA Firm)
Certified Public Accountants
City, State
Date of Report

Illustration No. 3 for Use in Canada Auditor's Report

To The Management of TPSP Company, Inc.:

We have audited the assertion by the management of TPSP Company, Inc. (TPSP) that, with respect to services provided to web site customers,

- the description of controls, outlined in Appendix 1, presents those controls for which TPSP is responsible that may be relevant to a customer's internal control; and
- the controls outlined in Appendix 1 operated effectively during the period from _____ to _____ in conformity with the AICPA/CICA *Web Trust* Criteria.

TPSP's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our audit.

Our audit was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Those standards require that we plan and perform our audit to obtain reasonable assurance that management's assertion is not materially misstated. Our audit included (1) obtaining an understanding of TPSP's services provided to its customers who have, or desire to have, a *CA WebTrust* audit insofar as they relate to electronic commerce business practices and its controls over the processing of electronic commerce transactions and the protection of related private customer information, (2) selectively testing transactions executed in accordance with disclosed business practices, (3) testing and evaluating the operating effectiveness of the controls, and (4) performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, TPSP management's assertion, as set forth in the first paragraph, is fairly stated, in all material respects, based on the AICPA/CICA *Web Trust* Criteria.

This information has been provided to customers of TPSP and to their auditors to be taken into consideration, along with the information about controls at customers, when evaluating the customer's controls in relation to the AICPA/CICA *Web Trust* Criteria. The relative effectiveness and significance of specific controls at TPSP and their effect on assessments of controls at customers are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual customers.

Because of inherent limitations in controls, errors or irregularities may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time such as, to accommodate dates in the year 2000, may alter the validity of such conclusions.

This report is intended solely for use by the management of TPSP, its customers, and their independent *WebTrust* auditors.

X, Y & Z (name of CA firm)
Chartered Accountants

City, Province
(date of report)

Illustration No. 4 for Use in Canada (Direct Report) Auditor's Report

To The Management of TPSP Company, Inc.:

With respect to services provided to web site customers, we have audited TPSP Company, Inc.'s (TPSP) description of those controls for which TPSP is responsible that may be relevant to a customer's internal control and the effectiveness of those controls during the period from _____ to _____ in conformity with the AICPA/CICA *WebTrust Criteria*. The controls are outlined in Appendix 1.

The description and the controls are the responsibility of TPSP's management. Our responsibility is to express an opinion on the conformity of the description and the controls with the AICPA / CICA Web Trust Criteria based on our audit.

Our audit was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants. Those standards require that we plan and perform our audit to obtain reasonable assurance as a basis for our opinion. Our audit included (1) obtaining an understanding of TPSP's services provided to its customers who have, or desire to have, a *CA WebTrust* audit insofar as they relate to electronic commerce business practices and its controls over the processing of electronic commerce transactions and the protection of related private customer information, (2) selectively testing transactions executed in accordance with disclosed business practices, (3) testing and evaluating the operating effectiveness of the controls, and (4) performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, in all material respects, the controls maintained by TPSP are fairly described in Appendix 1 and operated effectively during the period from _____ to _____ in conformity with the AICPA/CICA *WebTrust Criteria*.

This information has been provided to customers of TPSP and to their auditors to be taken into consideration, along with the information about controls at customers, when evaluating the customer's controls in relation to the AICPA/CICA *WebTrust Criteria*. The relative effectiveness and significance of specific controls at TPSP and their effect on assessments of controls at customers are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual customers.

Because of inherent limitations in controls, errors or irregularities may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time such as, to accommodate dates in the year 2000, may alter the validity of such conclusions.

This report is intended solely for use by the management of TPSP, its customers, and their independent *WebTrust* auditors.

X, Y & Z (name of CA firm)
Chartered Accountants

City, Province
(date of report)

Appendix 1 to TPSP Practitioner Reports - Sample Control Procedures Provided at the WebTrust Client and TPSP Level

This material provides an example situation where, in a retail sale of goods situation, WebTrust clients use the services of a third-party service provider, TPSP Services Ltd., to perform specific e-commerce related activities on their behalf. Due to the large number of potential WebTrust clients using TPSP's services, TPSP has engaged a CPA/CA firm to perform a recurring review and to prepare a report suitable for audit firms to rely upon on when performing an AICPA/CICA WebTrust engagement.

Description of Services Provided by TPSP

Situation A

TPSP provides e-commerce business support activities to organizations offering goods and/or services for sale over the Internet. In general, TPSP provides Internet-related technical services to allow its customers to focus on the business aspects of their e-commerce activities.

Included in TPSP's services are the following activities:

- Web page design, development and maintenance assistance
- Interfacing of an organization's order taking and fulfillment software with the Internet
- Web server acquisition, configuring and implementation
- On-going web server and related technology configuration and maintenance
- Internet service provision for e-commerce and general uses
- Communications connectivity from the Internet through to a client's processing application(s)
- Telecommunications security
- Internet Firewall configuration, maintenance and monitoring
- Maintenance of a secure e-commerce processing environment; and
- Maintaining the confidentiality (privacy) of client information.

In specific client situations only, systems development and maintenance services in connection with client-owned application systems are provided. These services are not uniform across TPSP's client base and are therefor not included in the TPSP review.

Situation B

TPSP provides e-commerce business support activities to organizations offering goods and/or services for sale over the Internet. In general, TPSP provides Internet-related technical services to allow its clients to focus on the business aspects of their e-commerce activities. Included in TPSP's services is the provision of a generalized application for order taking and fulfillment

which is tailored by TPSP to meet client requirements. Subsequent application system maintenance is performed by TPSP in co-ordination with a designated client representative.

Following are the activities performed by TPSP on behalf of their e-commerce clients:

- Web page design, development and maintenance assistance
- Tailoring of TPSP's proprietary order taking and fulfillment software to enable the client's specified e-commerce activities over the Internet
- All subsequent application system enhancement/modification and testing
- Web server acquisition, configuring and implementation
- On-going web server and related technology configuration and maintenance
- Internet service provision for e-commerce and general uses
- Communications connectivity from the Internet through to a the client's business processing environment
- Telecommunications security
- Internet Firewall configuration, maintenance and monitoring
- Maintenance of a secure e-commerce processing environment, and
- Maintaining the confidentiality of client information.

The primary difference between the two situations is that in Situation A, the order taking and fulfillment applications are proprietary to the TPSP client while in Situation B, the order entry and fulfillment applications are services provided by the TPSP to the TPSP client based on an application suite that is proprietary to and maintained by the TPSP. In Situation B, the TPSP has greater influence and control over the business processes of order entry and fulfillment.

Illustrative Procedures Within a Retail Sale of Goods Environment

Business Practices Disclosure – The entity discloses its business practices for electronic commerce transactions and executes transactions in accordance with its disclosed business practices.

<i>WebTrust Criteria</i>	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level <i>Situation A</i>	Illustrative Disclosures Controls Performed at TPSP Level <i>Situation B</i>
<p>Description of goods and/or services</p> <p>1. The entity discloses descriptive information about the nature of the goods that will be shipped or the services that will be provided, including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Condition of goods (i.e., whether they are new, used, or reconditioned). • Description of services (or service contract). • Sources of information (i.e., where it was obtained and how it was compiled). 	<ul style="list-style-type: none"> • You can purchase new and used books on our site; used books are clearly labeled as such. • N/A goods only sold. • N/A goods only sold. 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's description of goods and services upon implementation, and monitors web page content on an on-going basis. 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's description of goods and services upon implementation, and monitors web page content on an on-going basis.

WebTrust Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level Situation A	Illustrative Disclosures Controls Performed at TPSP Level Situation B
<p><u>Terms & conditions</u></p> <p>1. The entity discloses the terms and conditions by which it conducts its electronic commerce transactions including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Time frame for completion of transactions (Transaction means fulfillment of orders where goods are being sold and delivery of service where a service is being provided). • Time frame and process for informing customers of exceptions to normal processing of orders or service requests. • Normal method of delivery of goods or services, including 	<ul style="list-style-type: none"> • Our policy is to ship orders within one week of receipt of a customer approved order. Our experience is that over 90% of our orders are shipped within 48 hours, the remainder is shipped within one week. • We will notify you by E-mail within 24 hours if we cannot fulfill your order as specified at the time you placed it and will provide you the option of canceling the order without further obligation. You will not be billed until the order is shipped. • You have the option of receiving our products by UPS 2-day or 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's description of business terms and conditions upon implementation, and on an on-going basis. 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's description of business terms and conditions upon implementation, and on an on-going basis. • TPSP Ltd.'s order entry and fulfillment system checks for availability of inventory at the time the order is entered, and electronically issues shipping orders to the client's designated warehouse or shipping location. Where inventory is not available, the customer is notified of the estimated shipping date, and has the opportunity of canceling the order at this point. • Shipment exception records are electronically communicated from the client's designated warehouse or shipping location to TPSP's fulfillment system for electronic forwarding to the end customer. Unless otherwise cancelled by the customer, the goods ordered will be back-ordered for future delivery.

<p>WebTrust Criteria</p>	<p>Illustrative Disclosure Controls Performed at WebTrust Client level</p>	<p>Illustrative Disclosures Controls Performed at TPSP Level Situation A</p>	<p>Illustrative Disclosures Controls Performed at TPSP Level Situation B</p>
<p>customer options, where applicable.</p> <ul style="list-style-type: none"> • Payment terms, including customer options, if any. • Electronic settlement practices and related charges to customers. • How the customer may cancel recurring charges, if any. • Product return policies and/or limited liability, where applicable. 	<p>Federal Express overnight delivery.</p> <ul style="list-style-type: none"> • Your credit card will be charged at the time of shipment or you can send us a check or money order. • N/A • N/A • Purchases can be returned for a full refund within 30 days of receipt of shipment. Call our 800 number or E-mail us for a Return Authorization Number, which should be written clearly on the outside of the return package. 		<ul style="list-style-type: none"> • TPSP's order entry and fulfillment system will initiate customer billing in the prescribed manner upon receipt of shipping information received electronically from the client's designated warehouse or shipping location. • Customer refunds are processed upon electronic receipt of a verified return notice from the client's designated warehouse or shipping location.

WebTrust Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level Situation A	Illustrative Disclosures Controls Performed at TPSP Level Situation B
<p><u>Customer support & service</u></p> <p>1. The entity discloses on its Web site (and/or in information provided with the product) where customers can obtain warranty, service, and support related to the goods and services purchased on its Web site.</p>	<ul style="list-style-type: none"> Warranty and other service can be obtained at any one of our 249 worldwide locations that are listed on this Web site. A list of these locations also is included with all of our products. For service and other information, contact one of our customer service representatives at 800-555-1212 between 7:00a.m. and 8:00p.m. (Central Standard Time) or you can write to us as follows: Customer Service Dept ABC Company 1234 Anystreet Anytown, Illinois 60000 or CustServ@ABC.COM" 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's description of customer support and service information upon implementation, and monitors web page content on an on-going basis. 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's description of customer support and service information upon implementation, and monitors web page content on an on-going basis.
<p><u>Customer communications</u></p> <p>1. The entity discloses information to enable customers to file claims, ask questions and register complaints, including, but not limited to, the following:</p> <ul style="list-style-type: none"> Street address (not a post office box or E-mail address). Telephone number (a number to 	<ul style="list-style-type: none"> If you wish to file a claim or have questions or complaints about our products, you can call one of our customer service representatives at 800-555-1212 between 7:00a.m. and 8:00p.m. (Central Standard Time) or you can write to us as follows: Customer Service Dept ABC Company 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's description of customer communication arrangements upon implementation, and monitors web page content on an on-going basis. 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's description of customer communication arrangements upon implementation, and monitors web page content on an on-going basis.

<i>WebTrust Criteria</i>	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level Situation A	Illustrative Disclosures Controls Performed at TPSP Level Situation B
<p>reach an employee on a reasonably timely basis and not only a voice mail system or message machine).</p> <ul style="list-style-type: none"> • Days and hours of operation. • If there are several offices or branches, the same information for the principal office. 	<p>1234 Anystreet Anytown, Illinois 60000 or CustServ@ABC.COM"</p>		

Transaction Integrity – The entity maintains effective controls to provide reasonable assurance that customers’ transactions using electronic commerce are processed completely, accurately and on a timely basis using prices and fees as agreed.

Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level Situation A	Illustrative Disclosures Controls Performed at TPSP Level Situation B
<p><u>Requesting goods and/or services</u></p> <p>1. The entity maintains controls to provide reasonable assurance that:</p> <ul style="list-style-type: none"> • Each request or order is checked for accuracy and completeness. • Positive acknowledgment is received from the customer before the transaction is processed. 	<ul style="list-style-type: none"> • The entity defines criteria for determining the accuracy and completeness of orders entered. • The TPSP Ltd. order entry and fulfillment system automatically checks each order for accuracy and completeness of information before processing. • All customer-provided information for the order is displayed to the customer. Customer accepts an order, by clicking “yes”, before the order is processed. • Customer receives a confirming e-mail and can correct or cancel order at any time prior to fulfillment. 	<ul style="list-style-type: none"> • Web scripts have been analyzed for error checking on invalid inputs. 	<ul style="list-style-type: none"> • Web scripts have been analyzed for error checking on invalid inputs. • The TPSP Ltd. order entry and fulfillment system automatically checks each order for accuracy and completeness of information before processing. • The TPSP’s order entry and fulfillment system displays all customer-provided information for the order to the customer. Customer accepts an order, by clicking “yes”, before the order is processed. • The customer receives a confirming e-mail and can correct or cancel order at any time prior to fulfillment.
<p><u>Processing requests for goods</u></p>			

Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level	Illustrative Disclosures Controls Performed at TPSP Level
		Situation A	Situation B
<p><u>and/or services</u></p> <p>2. The entity maintains controls to provide reasonable assurance that:</p> <ul style="list-style-type: none"> The correct goods are shipped in the correct quantities in the time frame agreed, or services and information are provided to the customer as requested 	<ul style="list-style-type: none"> Packing slips are created from the customer sales order and double-checked as order is picked and packed. Commercial delivery methods are used that reliably meet expected delivery schedules. Shipping manifests are retained. Entity retains customer orders or contract information. Service delivery targets are maintained and actual services provided are monitored against such targets. The entity uses a "feedback" questionnaire to confirm customer satisfaction with completion of service or delivery of information to the customer. Computerized back-order records are maintained and are designed to notify customers of back-orders within 24 hours. Customers are given the option to cancel a backorder or have 		<ul style="list-style-type: none"> The TPSP Ltd. order entry and fulfillment system generates shipping/packing slips electronically to notify the client's designated warehouse or shipping location and to provide a record for double-checking as the order is picked and packed. The TPSP Ltd. order entry and fulfillment system accumulates service delivery target data, as well as producing a computer generated "feedback" questionnaire regarding customer satisfaction. Computerized back-order records are maintained and are designed to notify customers of back-orders within 24 hours. Customers are given the option to

Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level Situation A	Illustrative Disclosures Controls Performed at TPSP Level Situation B
<p><u>Processing bill/payment</u></p> <p>3. The entity maintains controls to provide reasonable assurance that:</p> <ul style="list-style-type: none"> • Sales prices and all other costs/fees are displayed for the customer before processing the transaction. • Transactions are billed and electronically settled as agreed. 	<p>an alternate item delivered.</p> <ul style="list-style-type: none"> • Customer has the option of printing, before order is processed, an "order confirmation" on line for future verification with payment records (such as credit card statement) detailing all information of the order (such as item(s) ordered, sales prices, costs, sales taxes, shipping charges, etc.). • All costs, including taxes and shipping, are displayed to the customer. Customer accepts an order, by clicking "yes", before the order is processed. • Billing and settlement experience is monitored on a daily basis against policy disclosed at Web site. • Total costs and the expected shipping and billing dates are displayed for the customer before the customer accepts the order. 		<p>cancel a backorder or have an alternate item delivered.</p> <ul style="list-style-type: none"> • The TPSP Ltd. order entry and fulfillment system provides the option of printing, before order is processed, an "order confirmation" on line for future verification with payment records (such as credit card statement) detailing all information of the order (such as item(s) ordered, sales prices, costs, sales taxes, shipping charges, etc.). • All costs, including taxes and shipping, are displayed to the customer. Customer accepts an order, by clicking "yes", before the order is processed. • The TPSP Ltd. order entry and fulfillment system displays total costs and the expected shipping and billing dates for the customer before the customer accepts the order.

Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosures Controls Performed at TPSP Level	Illustrative Disclosures Controls Performed at TPSP Level
<ul style="list-style-type: none"> Billing or settlement errors are promptly corrected. 	<ul style="list-style-type: none"> Billing or settlement errors are followed up and corrected within 24 hours of reporting by the customer. 	<p style="text-align: center;">Situation A</p>	<p style="text-align: center;">Situation B</p> <ul style="list-style-type: none"> The TPSP Ltd. order entry and fulfillment system accepts billing and settlement error correction information from the clients' systems designed for that purpose.
<p><u>Transaction history</u></p> <p>4. The entity maintains controls that allow for subsequent follow-up of transactions.</p>	<ul style="list-style-type: none"> The company maintains a transaction history for each order. Each order has a unique identifier that can be used to access order information. Such information also can be accessed by customer name and dates of ordering, shipping or billing. The entity maintains this identifier and detailed order records that enable customers to contact the entity about details of orders for at least 90 days from order fulfillment. Order history information is maintained for 6 months from the date of shipment and is available for immediate access by customer service representatives. After 6 months, this information is maintained in a form that can be accessed by customer service representatives within 3 days. 	<ul style="list-style-type: none"> The TPSP Ltd. order entry and fulfillment system creates a transaction history file for provision to the client for customer follow-up. The TPSP order entry and fulfillment system produces a unique identifier that can be used to access order information. 	

Criteria	Illustrative Disclosure Controls Performed at WebTrust Client level	Illustrative Disclosure Controls Performed at TPSP Level Situation A	Illustrative Disclosure Controls Performed at TPSP Level Situation B
<p>Monitoring</p> <p>5. The entity maintains monitoring procedures that provide reasonable assurance of the following:</p> <ul style="list-style-type: none"> • Its business practice disclosures on its Web site remain current. • Its transaction integrity controls remain effective. • Reports of noncompliance are promptly addressed and corrective measures taken. 	<ul style="list-style-type: none"> • Management regularly receives and reviews information that permits monitoring of business disclosures and transaction integrity (such as complaint rates, return rates, customer surveys, warranty and replacement rates, etc.) • Non-compliance situations are corrected when discovered and remedial actions taken are closely monitored for 30 days to prevent recurrence 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's stated business practice disclosures and transaction integrity controls upon implementation, and monitors web page content on an on-going basis. • Non-compliance situations are reported in writing to the client organizations immediately upon discovery. 	<ul style="list-style-type: none"> • TPSP Ltd. ensures web page content reflects the client's stated business practice disclosures and transaction integrity controls upon implementation, and monitors web page content on an on-going basis. • Non-compliance situations are reported in writing to the client organizations immediately upon discovery.
<p>Control environment</p> <p>6. The entity has a control environment that is generally conducive to reliable business practice disclosures on its Web site and effective controls over electronic commerce transaction integrity.</p>	<ul style="list-style-type: none"> • Management has a strong commitment to customer satisfaction and effective controls as evidenced by maintaining a strong "tone at the top," hiring and developing competent personnel, periodically emphasizing the importance and responsibilities for sound business practices and effective control, supervising and monitoring business activities and control procedures. 	<ul style="list-style-type: none"> • TPSP Ltd.'s message of strong commitment to customer satisfaction and effective controls 	<ul style="list-style-type: none"> • TPSP Ltd.'s message of strong commitment to customer satisfaction and effective controls

Information Protection – The entity maintains effective controls to provide reasonable assurance that private customer information³ obtained as a result of electronic commerce is protected from uses not related to the entity's business.

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level Situation A	Illustrative Disclosures Controls performed at TPSP Level Situation B
<p><u>Transmitting private customer information</u></p> <p>1. The entity maintains controls to protect transmissions of private customer information over the Internet from unintended recipients.</p>	<ul style="list-style-type: none"> The entity provides guidance (e.g., Security FAQ's) on its Web site outlining the customers' responsibilities to ensure customer information is transmitted securely. 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's guidance (e.g., Security FAQ's) on its Web site outlining the customers' responsibilities to ensure customer information is transmitted upon implementation, and monitors web page content on an on-going basis. Private customer information is protected during transmission by using encryption technology (Secure Sockets Layer (SSL) technology). The customer has the option of calling the entity's 800 number to provide his or her name, address, and credit card information. The entity has registered its Domain Name and Internet IP 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's guidance (e.g., Security FAQ's) on its Web site outlining the customers' responsibilities to ensure customer information is transmitted upon implementation, and monitors web page content on an on-going basis. Private customer information is protected during transmission by using encryption technology (Secure Sockets Layer (SSL) technology). The customer has the option of calling the entity's 800 number to provide his or her name, address, and credit card information. The entity has registered its Domain Name and Internet IP

³ Private customer information includes personal identification information for the customer or his or her family (name, address, telephone number, social security or other government identification numbers, employer, credit card numbers, etc.), personal or family financial information, personal or family medical information, employment history, history of purchases or other transactions, credit records and similar information.

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level Situation A	Illustrative Disclosures Controls performed at TPSP Level Situation B
<p><u>Protecting and using private customer information</u></p> <p>2. The entity maintains controls to protect private customer information obtained as a result of electronic commerce and retained in its system from outsiders.</p> <ul style="list-style-type: none"> Systems that retain private customer information obtained as a result of electronic commerce are protected from outside access. 	<ul style="list-style-type: none"> The entity has disclosed its client information privacy and confidentiality policies on its web page as part of its business practices disclosure. The entity has established policies regarding the privacy and confidentiality of customer 	<p>address to protect its Internet identity. The address is unique and no more than one company can have the same address.</p> <ul style="list-style-type: none"> The entity's Web page has a digital certificate, which can be checked using features in a standard Web browser. The entity's Webmaster updates the site and reviews and tests key Web pages at least daily to ensure that improper content or links have not been added. 	<p>address to protect its Internet identity. The address is unique and no more than one company can have the same address.</p> <ul style="list-style-type: none"> The entity's Web page has a digital certificate, which can be checked using features in a standard Web browser. The entity's Webmaster updates the site and reviews and tests key Web pages at least daily to ensure that improper content or links have not been added.
<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's privacy and confidentiality upon implementation, and monitors web page content on an on-going basis. All private customer 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's privacy and confidentiality upon implementation, and monitors web page content on an on-going basis. All private customer 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's privacy and confidentiality upon implementation, and monitors web page content on an on-going basis. All private customer 	<ul style="list-style-type: none"> TPSP Ltd. ensures web page content reflects the client's privacy and confidentiality upon implementation, and monitors web page content on an on-going basis. All private customer

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level	Illustrative Disclosures Controls performed at TPSP Level
<ul style="list-style-type: none"> Customers entering through the Web page can only perform inquiries, execute transactions and obtain information about their transactions. 	<p>information and communicated these to TPSP Ltd., the entity's third-party service provider.</p>	<p>Situation A</p> <p>information is stored in directories defined with access control rules to prevent unauthorized access.</p> <ul style="list-style-type: none"> A recognized commercial firewall is used. It is updated monthly and is tested periodically by the entity's Webmaster for susceptibility to security weaknesses. All system access from outside the entity, other than for customary electronic commerce transactions through the Web page, (through the Internet, dial up, or other connections) is restricted by one-time passwords and/or smart cards. 	<p>Situation B</p> <p>information is stored in directories defined with access control rules to prevent unauthorized access.</p> <ul style="list-style-type: none"> A recognized commercial firewall is used. It is updated monthly and is tested periodically by the entity's Webmaster for susceptibility to security weaknesses. All system access from outside the entity, other than for customary electronic commerce transactions through the Web page, (through the Internet, dial up, or other connections) is restricted by one-time passwords and/or smart cards.
<ul style="list-style-type: none"> Private customer information obtained as a result of electronic commerce is not intentionally disclosed to parties not related to the entity's business unless (1) customers are clearly notified prior to their providing such information or (2) customer permission is obtained after they have provided such information. 			

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level Situation A	Illustrative Disclosures Controls performed at TPSP Level Situation B
<ul style="list-style-type: none"> Private customer information obtained as a result of electronic commerce is used by employees only in ways associated with the entity's business. 	<ul style="list-style-type: none"> The entity has strict policies and monitoring procedures to ensure that only certain employees can access private customer information. These policies also set forth ways that customer information should and should not be used. These policies have been communicated to TPSP Ltd., the entity's third-party service provider. 	<ul style="list-style-type: none"> TPSP Ltd. has strict policies and monitoring procedures to ensure that only certain employees can access private customer information. These policies also set forth ways that customer information should and should not be used. 	<ul style="list-style-type: none"> TPSP Ltd. has strict policies and monitoring procedures to ensure that only certain employees can access private customer information. These policies also set forth ways that customer information should and should not be used.
<p><u>Protecting customers' computers and files</u></p> <p>3. The entity maintains controls to protect against its unauthorized access to customer's computers and its unauthorized modification of customer's computer files:</p> <ul style="list-style-type: none"> Customer permission is obtained before storing, altering or copying information in the customer's computer or the customer is notified with an option to prevent such activities. 		<ul style="list-style-type: none"> TPSP Ltd. requests the customer's permission before it intentionally stores, alters or copies information (such as cookies and other similar files) in the customer's computer. TPSP Ltd. requests the customer's permission before it performs any diagnostic or inventory on the customer's computer. 	<ul style="list-style-type: none"> TPSP Ltd. requests the customer's permission before it intentionally stores, alters or copies information (such as cookies and other similar files) in the customer's computer. TPSP Ltd. requests the customer's permission before it performs any diagnostic or inventory on the customer's computer.

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level	Illustrative Disclosures Controls performed at TPSP Level
		Situation A	Situation B
<ul style="list-style-type: none"> Transmission of malicious code to customers is prevented. 		<ul style="list-style-type: none"> TPSP Ltd. maintains antivirus software on its Web site, updates its virus signatures at least monthly, and takes reasonable precautions to protect both its systems and the customer's computer from viruses during the electronic commerce session. TPSP Ltd. implements programming standards and conducts software testing to ensure Web pages using active content technologies (e.g., Java applets, Active X, JavaScripts) are not susceptible to security weaknesses. 	<ul style="list-style-type: none"> TPSP Ltd. maintains antivirus software on its Web site, updates its virus signatures at least monthly, and takes reasonable precautions to protect both its systems and the customer's computer from viruses during the electronic commerce session. TPSP Ltd. implements programming standards and conducts software testing to ensure Web pages using active content technologies (e.g., Java applets, Active X, JavaScripts) are not susceptible to security weaknesses.
<p>Monitoring</p> <p>4. The entity maintains monitoring procedures that provide reasonable assurance the following.</p> <ul style="list-style-type: none"> Its information protection controls remain effective. 	<ul style="list-style-type: none"> The entity receives (from TPSP Ltd., the entity's third-party service provider) and reviews information that permits monitoring of information protection (such as attempts to bypass security controls, security violations, firewall and antivirus updates, virus incident, reports, version release number of currently installed security and 	<ul style="list-style-type: none"> TPSP Ltd. receives and reviews information that permits monitoring of information protection (such as attempts to bypass security controls, security violations, firewall and antivirus updates, virus incident, reports, version release number of currently installed security and 	<ul style="list-style-type: none"> TPSP Ltd. receives and reviews information that permits monitoring of information protection (such as attempts to bypass security controls, security violations, firewall and antivirus updates, virus incident, reports, version release number of currently installed security and

Criteria	Illustrative Disclosure Controls performed at WebTrust Client level	Illustrative Disclosures Controls performed at TPSP Level Situation A	Illustrative Disclosures Controls performed at TPSP Level Situation B
<ul style="list-style-type: none"> • Reports of non-compliance are promptly addressed and corrective measures taken. 	<p>installed security and encryption software and related most version release number of software from the software vendor, and actions taken to correct published security weaknesses).</p> <ul style="list-style-type: none"> • Non-compliance situations are corrected when discovered and remedial actions taken are closely monitored for 30 days to prevent recurrence. 	<p>encryption software and related most version release number of software from the software vendor, and actions taken to correct published security weaknesses).</p> <ul style="list-style-type: none"> • Non-compliance situations are corrected when discovered and remedial actions taken are closely monitored for 30 days to prevent recurrence. 	<p>encryption software and related most version release number of software from the software vendor, and actions taken to correct published security weaknesses).</p> <ul style="list-style-type: none"> • Non-compliance situations are corrected when discovered and remedial actions taken are closely monitored for 30 days to prevent recurrence.
<p><u>Control environment</u></p> <p>5. The entity has a control environment that is generally conducive to effective controls over protection of private customer information.</p>	<ul style="list-style-type: none"> • The Entity has a strong commitment to customer satisfaction and effective controls as evidenced by maintaining a strong “tone at the top,” hiring and developing competent personnel, periodically emphasizing the importance and responsibilities for sound business practices and effective control, and supervising business activities and control procedures. 	<ul style="list-style-type: none"> • TPSP Ltd. has a strong commitment to customer satisfaction and effective controls as evidenced by maintaining a strong “tone at the top,” hiring and developing competent personnel, periodically emphasizing the importance and responsibilities for sound business practices and effective control, and supervising business activities and control procedures. 	<ul style="list-style-type: none"> • TPSP Ltd. has a strong commitment to customer satisfaction and effective controls as evidenced by maintaining a strong “tone at the top,” hiring and developing competent personnel, periodically emphasizing the importance and responsibilities for sound business practices and effective control, and supervising business activities and control procedures.

PART II - GUIDANCE FOR THE WEBTRUST PRACTITIONER

Introduction

This section is based primarily on AT section 100 and AU section 543 (United States) and Handbook Sections 5025, 5310 and 6930 (Canada), as well as International standards. Relevant excerpts are provided in Appendix A to this Guide. This section provides the *WebTrust* practitioner with guidance on the professional judgements that need to be made in deciding:

- whether or not a *WebTrust* practitioner can accept an engagement when controls relevant to meeting such criteria are provided by a TPSP,
- whether to rely on the work of another practitioner,
- the form and content of the *WebTrust* practitioner's report in these circumstances, and
- the nature and extent of procedures to be performed by the *WebTrust* practitioner when relying on the work of another practitioner.

There is a difference in standards that should be acknowledged as background for this section. In the US, in a situation where there is a "division of responsibility", an practitioner may have an option of making reference to the work of another practitioner or not making any such reference. That decision is based on a number of factors, including the significance of the controls exercised by the TPSP. The level of work will vary, with that required for a reference situation being usually less than that where no reference is made.

In Canada, there is no such option. The practitioner cannot make reference to the work of another practitioner under generally accepted auditing standards.

Accepting a *WebTrust* Engagement

The first decision that a *WebTrust* practitioner needs to make is whether or not the engagement can be accepted. There may be situations where the processing activities and controls at the TPSP are so significant to the entire control structure/set of *WebTrust Criteria* that it is unlikely that the *WebTrust* practitioner would be willing to rely so extensively on the work of the TPSP practitioner. In that situation, the *WebTrust* practitioner will either need to personally perform the examination of the TPSP controls (or perform sufficient tests of the work of the TPSP practitioner) or not accept the *WebTrust* engagement.

For purposes of this decision, "significance" represents the relative value or importance of the specific set of principles in which the *WebTrust* practitioner is performing an overall *WebTrust* engagement. This relationship and weighting may change depending on the *WebTrust* practitioner's own professional judgment as to the risk and the value, criticality or degree of importance that users place on the assurances being provided in the particular environment in which the engagement is taking place. For example, the controls at a TPSP that manages many applications on behalf of its customers may be felt to be more important and more significant

than the controls exercised by a TPSP that simply provides web hosting and some physical security for a customer.

Once the engagement is accepted, the second key decision that a practitioner (in the US) will need to make is whether to make reference to the other practitioner in the *WebTrust* report. As mentioned above, this option is not available to *WebTrust* practitioners in Canada. This decision, as well as the decision of the TPSP practitioner, to set out the procedures performed, and the results thereof, will influence the extent of work that will need to be performed by the *WebTrust* practitioner.

The discussion of procedures to be performed has been broken down into those procedures that will have to be performed in any engagement and those additional procedures that will likely be necessary when the practitioner makes no reference to the work of the other practitioner.

Procedures Applicable to Both Methods of Reporting

There are a number of procedures that the *WebTrust* practitioner should perform in any engagement where the client is being hosted by a TPSP. The *WebTrust* practitioner should make inquiries concerning the professional reputation and independence of the TPSP practitioner. The *WebTrust* practitioner should also adopt appropriate measures to assure the coordination of audit activities with those of the TPSP practitioner in order to achieve a proper review of matters affecting the overall *WebTrust* engagement.

Understanding Division of Controls

First of all, it is important that the practitioner consider the nature and extent of the services provided by the TPSP and how the TPSP's controls interrelate with those of the *WebTrust* client to meet the *WebTrust Criteria*. This will be important in assessing the relevance of the TPSP practitioner's report. (As discussed earlier, this will also be a consideration as to whether or not the *WebTrust* practitioner is in a position to accept the engagement).

Professional Qualifications

Where the qualifications of the TPSP practitioner are not known to the user of the report, inquiries may be made of any of a number of parties concerning the reputation of the TPSP practitioner. In circumstances where the professional qualifications of the TPSP practitioner cannot be substantiated, consideration should be given to other available evidence (if such exists) and the effect this may have in assessing the usefulness of the report.

Inquiries as to the professional reputation and standing of the TPSP practitioner can be made to one or more of the following:

- In the US, with The American Institute of Certified Public Accountants, and/or the appropriate state society of certified public accountants and/or the local chapter
- In Canada, the Canadian Institute of Chartered Accountants, and/or the appropriate Provincial Institute of Chartered Accountants

- In the case of a foreign practitioner, with the corresponding professional organization
- Other practitioners
- Bankers and other credit grantors, and
- Other appropriate sources.

Inquiries may be unnecessary if the *WebTrust* practitioner already knows the professional reputation and standing of the TPSP practitioner. The AICPA or CICA can confirm whether the TPSP practitioner is licensed to provide *WebTrust* services, which should be considered when assessing professional qualifications.

Competence and Integrity

Before undertaking an assurance engagement, the *WebTrust* practitioner should be satisfied that the subject matter is or will be within the collective professional expertise of the practitioner and other persons performing the assurance engagement. The reputation of the TPSP practitioner's competence and integrity may be well known. For example, if the TPSP practitioner is licensed to perform *WebTrust* examinations, no additional inquiry may be needed. There is no requirement that the TPSP practitioner be specifically licensed to perform a *WebTrust* examination, but the practitioner needs to be able to demonstrate appropriate knowledge of *WebTrust Principles and Criteria* as it pertains to this type of engagement.

In instances where the TPSP practitioner's reputation is not known, inquiries may be made of other professional colleagues, business associates (for example, bankers) or other knowledgeable parties. Furthermore, it may be appropriate to inquire as to the qualifications of the TPSP practitioner in terms of their knowledge of the business, knowledge of *WebTrust Principles and Criteria* and as to the use of specialists in technical situations (for example, data processing). Where there is doubt about the reputation, competence and integrity of the TPSP practitioner, the usefulness of the report should be considered.

Professional Standards Of The TPSP Practitioner's Jurisdiction

Where the TPSP practitioner practices in a foreign jurisdiction, the *WebTrust* practitioner should consider the effect of any differences between the local country standards and the foreign country's generally accepted auditing standards relating to the conduct of the examination. This may prove to be a difficult task since, at the present time, few foreign professional bodies have adopted standards for these types of examinations. Accordingly, each report should be examined on a case by case basis to determine its reliability also considering the independence requirements of the TPSP practitioner.

Independence

The TPSP practitioner should be independent of the TPSP in the same way that *WebTrust* practitioners are required to be independent of the *WebTrust* client. It is generally not practical, however, nor should it be necessary, for the TPSP practitioner to be independent with respect to each retail web site that is hosted by the TPSP.

Representation should be obtained from the TPSP practitioner that the practitioner is independent as defined by the standards set out in the country of the engagement (for example, as prescribed by AICPA or the Rules of Professional Conduct, as prescribed by the Provincial Institutes of Chartered Accountants in Canada).

Decision Not To Make Reference (US only)

If the *WebTrust* practitioner is able to obtain satisfaction as to the independence and professional reputation of the TPSP practitioner, as discussed above, and takes steps appropriate to obtain satisfaction as to the examination performed by the TPSP practitioner, the *WebTrust* practitioner may be able to prepare the *WebTrust* report without making reference in the report to the procedures performed by the TPSP practitioner. If this position is taken, the *WebTrust* practitioner should not state in the report that part of the *WebTrust* engagement was performed by another practitioner because to do so may cause a reader to misinterpret the degree of responsibility being assumed.

Ordinarily, the *WebTrust* practitioner would be able to adopt this position (not to make reference) when:

- The TPSP practitioner is an associated or correspondent firm whose work is acceptable to the *WebTrust* practitioner based on the *WebTrust* practitioner's knowledge of the professional standards and competence of that firm; or
- The TPSP practitioner was retained by the *WebTrust* practitioner and the work was performed under the *WebTrust* practitioner's guidance and control; or
- The *WebTrust* practitioner takes steps that are considered necessary to obtain satisfaction that the controls being tested are appropriate to support the *WebTrust* report whether or not the *WebTrust* practitioner was selected by the TPSP practitioner.

Additional Procedures To Be Performed When No Reference is Made

In this situation, the amount of work will depend on the type of information that the TPSP practitioner provides in the practitioner's report. In the situation where the TPSP practitioner provides a list of the procedures performed, the results thereof, and the description of the controls with the practitioner's report, the *WebTrust* practitioner would first review the report and the procedures to see whether the procedures performed were adequate and the results acceptable.

In situations where only the controls are provided, or where the practitioner is unsure as to whether the procedures performed were adequate, the practitioner may need additional assurance. The practitioner could consider performing one or more of the following procedures:

- Visit the TPSP practitioner and discuss the procedures performed and results thereof.

- Review the examination programs of the TPSP practitioner. In some cases, it may be appropriate to issue instructions to the TPSP practitioner as to the scope of the examination procedures undertaken.

In some circumstances, the *WebTrust* practitioner may consider it appropriate to participate in discussions regarding the controls to be tested with the TPSP management personnel and to make supplemental tests of such controls. The determination of the extent of additional procedures, if any, to be applied rests with the *WebTrust* practitioner alone in the exercise of professional judgment and in no way constitutes a reflection on the adequacy of the TPSP practitioner's work. Because the *WebTrust* practitioner in this case assumes responsibility for the *WebTrust* opinion without making reference to the examination performed by the TPSP practitioner, the *WebTrust*'s practitioner's judgment should govern as to the extent of procedures to be undertaken.

Using the Report

In order to consider whether the objectives are being achieved, the *WebTrust* Practitioner needs to assess the relevance and reliability of the TPSP practitioner's report.

Relevance

In assessing the relevance of the TPSP practitioner's report, the focus should be directed towards the scope of the report. For the purposes of this discussion, the report also includes the appendices that cover management's assertions (when an attest report is used). Factors to be considered include:

- the boundaries of the services covered in the report and the description of the controls
- the appropriateness and the scope of the description of controls
- the time period covered
- the controls in place at the WebTrust client.

These factors should be considered independently when assessing the relevance of a TPSP report. Where the findings from the assessment of any one factor indicate that the user's objectives will not be achieved, the relevance of the report should be questioned and consideration given to the degree of reliance to be placed on the report.

Boundary of services covered

Because of the range of services that a TPSP might perform, there is no guarantee that a TPSP practitioner's report will cover all the controls associated with a particular service, or systems that interface with that service. The *WebTrust* practitioner should be aware of this when considering the relevance of the TPSP practitioner's report.

Accordingly, the *WebTrust* practitioner should review the description of controls to ensure that it completely and adequately addresses the systems or services relevant to particular needs of that *WebTrust* engagement.

Appropriateness and scope of the description of controls

The level of detail to which stated controls are described could present difficulties for *WebTrust* practitioners in assessing the relevance of a TPSP practitioner's report. Of greater concern is that the controls may not be described in sufficient detail for a *WebTrust* practitioner to ascertain whether a specific control has been examined. In such cases, it may be necessary to obtain further details from the TPSP, discuss the issue with TPSP management, or, as a last resort, contact the TPSP practitioner, since the assumption cannot be made that the specific control is, in fact, included within the scope of the report.

If it is determined by a *WebTrust* practitioner that evidence relating to a particular control is crucial to the audit of the *WebTrust* client, and that the control is not addressed by the TPSP practitioner's report, the options of the *WebTrust* practitioner are limited. Consideration should be given to a request, through the TPSP, that the TPSP practitioner extends the scope of the examination to include the important control. Failing this, the *WebTrust* client may request that the TPSP grant the necessary access to enable the *WebTrust* practitioner to evaluate and personally test the critical control. If either alternative is not feasible, the *WebTrust* practitioner needs to consider whether other sources of evidence are available. If none is available, the practitioner needs to consider whether a scope limitation exists, in which case the *WebTrust* seal would not be issued.

Time period covered

The time period covered by the TPSP practitioner's examination is critical to the *WebTrust* practitioner in assessing the report's relevance. Ideally, the period of coverage of the TPSP reporting should coincide with the frequency established by the individual *WebTrust* clients. As the interval from the period covered by the TPSP practitioner's report and the period covered by the *WebTrust* practitioner's report lengthens, there would be more risk to the *WebTrust* practitioner that there could be changes in the controls at the TPSP that could impact on the *WebTrust* client. This additional risk would have to be either accepted or reduced to an acceptable level by the *WebTrust* practitioner.

One of the factors that need to be considered in making this assessment is the client's process for identifying changes. It is important that the *WebTrust* client have a suitable process in place to identify changes in controls at the TPSP and their impact on the client. Nevertheless, it is the opinion of the Task Force that the period of coverage of the TPSP report should cover a substantial portion of the reporting period provided at the *WebTrust* client level. This period will have to take into account the time needed by the TPSP practitioner to complete the examination and render the TPSP audit report.

The controls in place at the *WebTrust* client

In many situations where services are provided by a TPSP, a combination of *WebTrust* client controls and TPSP controls is required to achieve the *WebTrust Criteria*.

The TPSP practitioner's report is prepared from the perspective of a "closed" control structure, it addresses the controls over the services provided within the boundaries of the TPSP only.

These types of reports place the onus on the *WebTrust* practitioner to properly identify the controls that should have been implemented at the *WebTrust* client, in order to ensure that a comprehensive system of control is examined. In these circumstances, the *WebTrust* practitioner should first understand the systems and the related controls within the *WebTrust* client. This understanding should then be supplemented by a review of the contract between the TPSP and the *WebTrust* client and other documentation, as appropriate, (for example, user manual) prepared by the TPSP. Discussions should be held with *WebTrust* client management as to their control responsibilities (either perceived or contracted). The combination of these three procedures should generally be sufficient to gain a proper understanding of the control structure. Caution should nevertheless be exercised concerning the completeness and accuracy of the documentation provided by the TPSP. Consideration should be given to having the TPSP practitioner report in this regard, particularly where the design, implementation and on-going effectiveness of *WebTrust* client controls is highly dependent on this documentation.

WebTrust client controls may be needed to compensate for design weaknesses in the control structure at the TPSP. Such weaknesses may be knowingly accepted by the TPSP and intended to be mitigated by the implementation of specific *WebTrust* client controls. This situation may arise where certain controls can be more cost-effectively implemented by *WebTrust* client than by the TPSP. In these cases, it is the responsibility of the *WebTrust* practitioner to ensure that the *WebTrust* client controls are in place and operating effectively in order to complement the evidence provided in the TPSP practitioner's report.

Reliability

In assessing the reliability of the report, the focus should be directed toward the TPSP practitioner's capability to conduct the examination. Qualities or characteristics used to make this assessment include:

- the professional qualifications of the TPSP practitioner;
- the competence and integrity of the TPSP practitioner;
- the adequacy of the standards of the jurisdiction in which the TPSP practitioner practices; and
- the nature and extent of tests of controls performed by the TPSP practitioner.

The first three of these were addressed previously.

The nature and extent of tests of controls performed by the TPSP practitioner

It is not necessary to understand, in detail, the nature and extent of procedures performed, since these determinations are the responsibility of the TPSP practitioner in forming an opinion based on professional judgment. Circumstances may arise, however, where the *WebTrust* practitioner has reason to believe that the work performed by the TPSP practitioner is not sufficient for issuing a *WebTrust* report at the *WebTrust* client and additional evidence may be needed. In these circumstances, inquiry of the TPSP and, where necessary, the TPSP practitioner may be appropriate to clarify the *WebTrust* practitioner's concern. Generally, the working papers of the TPSP practitioner are not available for review by the *WebTrust* practitioner.

Decision to Make Reference (US Only)

When reporting under AT section 100, the *WebTrust* practitioner may decide to make reference to the TPSP practitioner in his *WebTrust* report. In some situations, it may be impracticable for the *WebTrust* practitioner to review the TPSP practitioner's work or to use other procedures which in the judgment of the *WebTrust* practitioner would be necessary to obtain satisfaction as to the procedures performed by the TPSP practitioner. Also, if the portion of the *WebTrust* engagement performed by the TPSP practitioner is significant in relation to the total engagement (but not so significant as to preclude the *WebTrust* practitioner from relying on the work of the TPSP practitioner), the *WebTrust* practitioner may decide, regardless of any other considerations, to make reference to the procedures performed by the TPSP practitioner in the *WebTrust* practitioner's report.⁴

When the *WebTrust* practitioner decides to make reference to the procedures performed by the TPSP practitioner, the report should indicate clearly the division of responsibility by including the following modification:

We did not examine management's assertions with respect to business processes and control activities surrounding certain functions relating to *(fill in blank with brief description of services provided by TPSP: e.g. web hosting, transaction integrity, data protection)* provided to the website by [TPSP here]. The TPSP's assertion about the effectiveness of business processes and control activities provided by [TPSP here] was examined by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to management's assertion about the effectiveness of these business processes and control activities, is based on the report of the other accountants.

The following are some examples based on the modification above:

We did not examine management's assertions with respect to business processes and control activities surrounding certain functions relating to payment processing provided to the website by TPSP. Management's assertion about the effectiveness of business processes and control activities provided by TPSP was examined by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to management's assertion about the effectiveness of these business processes and control activities, is based on the report of the other accountants.

We did not examine management's assertions with respect to business processes and control activities surrounding certain functions relating to distribution/order fulfillment processing provided to the website by TPSP. Management's assertion about the effectiveness of business processes and control activities provided by TPSP was

⁴ In making a decision whether to refer to the report of a TPSP practitioner whose report is restricted, the *WebTrust* practitioner should consider the impact of referring to a restricted-use report in a general-use report

examined by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to management's assertion about the effectiveness of these business processes and control activities, is based on the report of the other accountants.

We did not examine management's assertions with respect to business processes and control activities surrounding certain functions relating to information protection provided to the website by TPSP. Management's assertion about the effectiveness of business processes and control activities provided by TPSP was examined by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to management's assertion about the effectiveness of these business processes and control activities, is based on the report of the other accountants.

TPSP Practitioner's Report Departs From Standard Report

If the TPSP practitioner's report is other than a standard report, the *WebTrust* practitioner should decide whether the reason for the departure from the standard report is of such nature and significance in relation to the overall *WebTrust* engagement that it would require recognition in the *WebTrust* practitioner's report. If the reason for the departure is not material in relation to the overall *WebTrust* engagement, the *WebTrust* practitioner need not make reference in the report to such departure.

If the results of inquiries and procedures by the *WebTrust* practitioner with respect to matters described in this section lead to the conclusion that the *WebTrust* practitioner can neither assume responsibility for the work of the TPSP practitioner insofar as that work relates to the *WebTrust* practitioner's report, nor report in the manner set forth below, the *WebTrust* practitioner should qualify the report or issue a disclaimer (pursuant to AT section 100 in the US and Handbook Section 5025). As a practical matter, most clients would not want a qualified report to be issued since it would preclude obtaining a *WebTrust* seal.

APPENDIX A - RELEVANT STANDARDS

Introduction

This appendix sets out the relevant AICPA, CICA and International standards that were used in determining the guidance set out in this guide.

Issue #1 - CAN USER PRACTITIONERS RELY ON WORK PERFORMED BY TPSP PRACTITIONER?

AICPA Standards

- *WebTrust* reports are covered under *AT section 100*, there is no discussion of reliance on the work of another practitioner in *AT section 100* (there is no permission, but there is no preclusion);
- *AT section 400*⁵ (*AICPA, Professional Standards, vol. 1, AT section 400*) which deals with Reporting on an Entity's Internal Control Over Financial Reporting, includes a discussion of the use of another independent accountant's report in issuing an *AT section 400* Attestation. This section is modeled after the *AU Section 543* which provides guidance in the audit of financial statements when part of the audit is performed by other independent auditors:

Opinion Based in Part on the Report of Another Practitioner

.64 When another practitioner has examined management's assertion about the effectiveness of the internal control of one or more subsidiaries, divisions, branches, or components of the entity, the practitioner should consider whether he or she may serve as the principal practitioner and use the work and reports of the other practitioner as a basis, in part, for his or her opinion. If the practitioner decides it is appropriate for him or her to serve as the principal practitioner, he or she should then decide whether to make reference in the report to the examination performed by the other practitioner. In these circumstances, the practitioner's considerations are similar to those of the independent auditor who uses the work and reports of other independent auditors when reporting on an entity's financial statements. *AU section 543*, "Part of Audit Performed by Other Independent Auditors", provides guidance on the auditor's considerations when deciding whether he or she may

5 The difference between *AT section 400* and this situation is that in *AT section 400*, the division of responsibilities between practitioners was based on subsidiaries, branches or components, whereas in this situation it is based on controls.

serve as the principal auditor and, if so, whether to make reference to the examination performed by the other practitioner.

AU Section 543 (which is linked to attestation standards via AT section 400, para. 64 discussed above) provides guidance where part of the audit is covered by other independent accountants:

.02 The auditor considering whether he may serve as principal auditor may have performed all but a relatively minor portion of the work, or significant parts of the audit may have been performed by other auditors. In the latter case, he must decide whether his own participation is sufficient to enable him to serve as the principal auditor and to report as such on the financial statements. In deciding this question, the auditor should consider, among other things, the materiality of the portion of the financial statements he has audited in comparison with the portion audited by other auditors, the extent of his knowledge of the overall financial statements, and the importance of the components he audited in relation to the enterprise as a whole.

CICA Standards

- *Section 6930 - Reliance on Another Auditor* - is not applicable to situations where another auditor is reporting on matters other than financial statements or financial information, as is the case in this situation.

But, under that Section,

Consideration of position as primary auditor

.24 When the essence of the financial statements upon which the primary auditor will be reporting will be audited by other auditors, the primary auditor, before accepting or continuing the engagement, will have to consider whether the extent of his or her involvement and knowledge is sufficient to discharge his or her responsibilities. Such situations may occur, for example, when activities are conducted through joint ventures or in a corporate group when there are secondary auditors who audit the majority of total assets, revenues or net income. If the primary auditor audits the majority of total assets, revenues or net income, it will normally be appropriate for him or her to function in that capacity. An auditor can also function as primary auditor when he or she does not audit the majority of the assets, revenues or net income, provided that he or she has sufficient knowledge of the components and is able to extend his or her procedures as necessary; this will usually require the auditor to have access to management making the major policy and financial decisions affecting the group. An auditor needs to reconsider his or her position as primary auditor when the auditor concludes that he or she cannot obtain the necessary level of audit assurance because he or she is not, and cannot become, sufficiently involved in the audit of the components.

- *Section 5900 - Opinions on Control Procedures at Service Organizations*

.19 The service auditor may wish to use the report of another service auditor as audit evidence in arriving at an opinion. In these circumstances, in addition to the guidance in this Section, the service auditor would follow the guidance in AUDIT EVIDENCE CONSIDERATIONS WHEN AN ENTERPRISE USES A SERVICE ORGANIZATION, Section 5310.

- *Section 5310 - Audit Evidence Considerations - Service Organization*

.07 When the auditor intends to use the report of a service auditor as audit evidence, the auditor would consider whether the extent of his or her involvement with and knowledge of the enterprise will be sufficient to discharge his or her responsibilities. If the auditor concludes that the extent of his or her involvement with and knowledge of the enterprise will not be sufficient to discharge his or her responsibilities, the auditor would need either to extend his or her involvement or obtain such knowledge or reconsider his or her ability to carry out the engagement.

International Auditing Standards

- *IAS 600 – Using the Work of Another Auditor*

.06 The auditor should consider whether the auditor's own participation is sufficient to be able to act as the principal auditor. For this purpose the principal auditor would consider:

- (a) the materiality of the portion of the financial statements which the principal auditor audits;
- (b) the principal auditor's degree of knowledge regarding the business of the components;
- (c) the risk of material misstatements in the financial statements of the components audited by the other auditor; and
- (d) the performance of additional procedures as set out in this ISA regarding the components audited by the other auditor resulting in the principal auditor having significant participation in such audit.

Issue #2 - WHAT TYPE OF REPORT COULD BE ISSUED AND USED BY THE RETAIL WEB SITE AUDITOR?

AICPA Standards

- Some observations:
 - SAS No. 70 has been the traditional manner for reporting on controls at a service organization. However, SAS 70 is designed for use as part of a financial statement audit and is likely to be inappropriate for WebTrust purposes.
 - US Attestation Standards do not preclude use of a SAS No. 70-type report to be used for attestations.
 - There is precedence for SAS No. 70-type reliance in attestations in practice (e.g., reliance on service auditor reports in issuing AT section 400 attestation reports under FDICIA)
 - SAS No. 70 Reports include a discussion of the controls being reported upon, the auditing procedures performed, the results of those procedures, and considerations for evaluating user controls.

CICA Standards

- *Section 5900 - Opinions on Control Procedures at Service Organizations*

.01 This Section sets out matters that an auditor would consider when engaged to express an opinion on the design and existence of control procedures or on the design, effective operation and continuity of control procedures at a service organization. The primary users of this opinion would be the service organization and/or users of its services and their auditors

Task Force Observation - The use of a Section 5900 report is not limited to an audit of financial statements (unlike SAS No. 70).

REPORTING

.10 The service auditor's report on control procedures would accompany a description of the stated internal control objectives of the system and the control procedures designed to achieve those objectives. This description would normally be prepared by management of the service organization. While the service auditor may make suggestions as to the form and content of the description or may draft it in whole or in part based on discussions with and documentation provided by the service organization, the description remains the representation of management of the service organization.

.11 The service auditor's report on control procedures should:

- (a) in a scope paragraph:

- (i) specifically identify the subject matter reported on and the nature of the examination; and
 - (ii) state that the examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as were considered necessary in the circumstances;
- (b) in an opinion paragraph, except when reservations are required, express an opinion that the control procedures were suitably designed to provide reasonable, but not absolute, assurance that the stated internal control objectives of the system were achieved and that either the control procedures existed as at a point in time or the control procedures operated effectively throughout the period covered by the service auditor's report;
- (c) in separate paragraphs following the opinion paragraph, state:
- (i) when the existence of control procedures was tested only as at a point in time, that an opinion cannot be expressed as to whether the control procedures existed at any other time; and
 - (ii) restrictions, if any, placed on its use. [JULY 1987 *]

Task Force Observation - Unlike a SAS No. 70 report, a Section 5900 report does not include a discussion of the auditing procedures performed and the results thereof.

Issue #3 - WHAT ARE THE *WEBTRUST* REPORTING RAMIFICATIONS FOR THE USER AUDITOR?

AICPA Standards

- *WebTrust* reports are covered under AT section 100; there is no discussion of reliance on the report of another independent accountant in AT section 100.
- AT section 400, which deals with Reporting on an Entity's Internal Control Over Financial Reporting, includes a discussion of the use of another independent accountant's report in issuing an AT section 400 Attestation. This section is modeled after the AU Section 543 which provides guidance in the audit of financial statements when part of the audit is performed by other independent auditors

.65 When the practitioner decides to make reference to the report of the other practitioner as a basis, in part, for the practitioner's opinion on management's assertion, the practitioner should disclose this fact when describing the scope of the examination and should refer to the report of the other practitioner when expressing the opinion. The following form of the report is appropriate in these circumstances....

CICA Standards

- *Section 5310 - Audit Evidence Considerations - Service Organization*

.14 When expressing an opinion without reservation, the auditor would not refer to the report of the service auditor because such reference may unduly emphasize that particular source of audit evidence or be misinterpreted as a reservation in the auditor's opinion.

.15 When expressing an opinion without reservation, the auditor should not refer to the report of the service auditor. [JULY 1987]

- *Section 6930 - Reliance on Another Auditor* - is not applicable to situations where
(d) another auditor is reporting on matters other than financial statements or financial information.

As is the case in this situation. But, under that Section,

.21 Since the primary auditor has overall responsibility for his or her opinion on the financial statements of the primary entity, the primary auditor should not refer to the secondary auditor in his or her report. By carrying out the procedures in this Section, the primary auditor will normally obtain the necessary audit evidence with respect to the component to support his or her opinion.

.22 When expressing an opinion without reservation, the primary auditor should not refer to the secondary auditor in his or her report.
[JAN. 1981 *]