



# Project Plan

**Project ID:** 2009  
**Approved:**  
23/24 Feb 2009

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**Project title:** AGREED-UPON PROCEDURES  
Revision of AUS 904

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**Corporate objective(s):** FRC Strategic Direction  
*(e) The AUASB should continue to develop auditing and assurance standards other than for historical financial information as well as developing and issuing other guidance on auditing and assurance matters [...].*

**Priority:** Medium

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**Issue/reason:** The existing standard on Agreed-upon Procedures (AUP), AUS 904 has not yet been revised or reissued by the AUASB and no longer reflects the naming convention or current framework applicable to AUASB Standards.

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## Project Objectives:

To review AUS 904 *Engagements to Perform Agreed-upon Procedures* and revise and reissue, as appropriate, as a Standard on Related Services (ASRS 4400).

## Stakeholders:

- (a) Practitioners conducting AUP engagements, including:
  - Practitioners preparing AUP reports on controls (such as accounting firms and other specialist providers, such as engineers or environmental scientists regarding controls over emissions and energy data).
  - Auditors of Service Organisations (mostly the Big 4 firms) specifically requested to conduct AUPs on controls, balances or transactions for use by the auditor of the user entity.
  - Auditors of APRA regulated entities.
  - Auditors reporting in relation to Prospectuses.
- (b) APRA – agreed upon procedures engagements may be required by APRA with respect to General Insurers or Authorised Deposit-taking Institutions (ADIs)
- (c) Climate Change (NGER and CPRS schemes) - regulator may request agreed upon procedures engagements on emissions data, as part of their regulation of the National

Greenhouse and Energy Reporting Act and the proposed Carbon Pollution Reduction Scheme.

- (d) ADIs – engaging party for AUP engagements
- (e) Government agencies – users of AUP reports in administering grants

## **Background:**

AUS 904 has been inherited from the AuASB and has not been amended since 2002. AUS 904 is written for engagements to report on historical financial information where no assurance is provided. Reports under AUS 904 are of factual findings and the recipients of the report must form their own conclusions from the agreed-upon procedures performed and the factual findings reported. Although the auditor is engaged to carry out procedures of an audit nature, the engaging party determines the nature, timing and extent of the procedures performed. AUS 904 is consistent with ISRS 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information* (previously ISA 920) except that AUS 904 contains a number of additional requirements. The most significant additional requirement in AUS 904 is the inclusion of a requirement for the auditor to be independent. ISRS 4400 does not require the auditor to be independent but if they are not independent then they are required to make a statement to that effect in their report of factual findings. AUS 904 makes reference to outdated standards (AUSs) which have since been revised and reissued as ASAs.

The AUASB *Glossary* provides the following definition of *agreed-upon procedures engagement*: “an engagement in which an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.”

ISRS 4400 is not included in the IAASB’s clarity project and is not included for revision on the IAASB’s 2009-2011 work programme. Consequently we would not expect any change to ISRS 4400 for some years to come.

At the December Board meeting, the AUASB Board approved a project to revise AUS 904 and rename it in line with the IAASB’s pronouncements, as ASRS 4400. The revision would include updating references to reflect current standards (ASAs and ASAEs) and retaining differences between AUS 904 and ISRS 4400. This option may incorporate additional guidance if considered necessary from the Australian practitioner’s experience of using AUS 904.

## **Risks/Issues:**

1. What are the key defining features of an AUP engagement?
  - Must the work be “procedures of an audit nature” as specified in AUS 904?
  - Must the practitioner be independent, as required in AUS 904, but not in the equivalent ISRS 4400?
  - Is a three way relationship required?

2. Should the standard cover financial and non-financial information?
  - Currently, AUS 904 is directed only at financial information.
3. Should an AUP report provide “no assurance” only or could it provide reasonable or limited assurance if required?
  - Currently, under AUS 904, AUP reports provide no assurance, however some level of assurance may be implied by the user.
  - May the practitioner make judgements about which or how many items to test to meet the client’s objectives without providing or implying some level of assurance?
  - How specific do the client’s instructions need to be in order to ensure that no assurance is given?
4. Is a report of factual findings the appropriate means of reporting?
5. What type of practitioner conducts AUP engagements?
  - ISRS 4400 and AUS 904 use “auditor”.
  - ASAE 3000 uses “assurance practitioner”.
6. Is it necessary for the practitioner to assess the appropriateness of the subject matter and the suitability of the criteria, in the same way as required by ASAE 3000?

### **Action Plan:**

1. Develop a Project Plan.
2. Identify strengths and weaknesses of AUS 904 to determine which aspects of that pronouncement should be retained.
3. Identify areas where new requirements and guidance are required.
4. Gather information on current AUP engagements conducted in practice.
5. Establish a Project Advisory Group with representatives of the “Big 4” and mid-tier firms to assist the AUASB Technical Group in achieving the objectives of the AUP Project, by drawing on their own and their firms’ professional expertise and experience in AUP engagements.
6. Liaise with other stakeholders and involve in the PAG as necessary.
7. Consider any developments by the IAASB.
8. Develop recommendations for the approach for development of a new standard (ASRS) and agree with the Board.
9. Ensure revised Australian Pronouncements on AUP conform sufficiently to IAASB Standards.
10. Draft a new AUASB Pronouncement.

11. Expose and issue AUASB Pronouncement.
12. Consider impact on, and any conforming amendments needed to, the AUASB's *Forward, Glossary or Framework*.

### **Resources:**

1. AUASB Technical Group - one Senior Project Manager
2. AUP Project Advisory Group (PAG) – one AUASB Board member and six external representatives from stakeholders.

### **Timetable:**

23-24 Feb 2009	AUASB Board to approve AUP Project Plan.
March 2009	Project Advisory Group (PAG) meet.
Apr/May 2009	Project Advisory Group (PAG) meet.
1-2 Jun 2009	AUASB Board considers 1 <sup>st</sup> draft of ASRS 4400.
20-21 Jul 2009	AUASB Board consider 2 <sup>nd</sup> draft of ASRS 4400 and approve as ED.
27 July 2009	Expose ED of ASRS 4400 – 45 day exposure period.
9 Sept 2009	End of exposure period.
26/27 Oct 2009	AUASB Board approve final ASRS 4400.
Oct-Nov 2009	AUASB issues ASRS 4400.