



AUASB Board Meeting Summary Paper

AGENDA ITEM NO.

Meeting Date: 12 June 2019
Subject: Agreed-Upon Procedures
Date Prepared: 4 June 2019

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To inform the AUASB on the progress of the international revision to ISRS 4400 *Agreed-Upon Procedures Engagements*, with particular reference to the 3 areas of AUASB concern being professional judgement, independence and restriction on use.

Background

1. The AUASB provided their submission on ED- ISRS 4400 *Agreed-Upon Procedures Engagements* to the IAASB in March 2019.
2. The AUP IAASB taskforce have analysed feedback from stakeholders and are seeking IAASB input in several areas to finalise the revised standard.
3. The June 2019 IAASB meeting papers on AUPs, can be found [[here](#)].

Summary Position

1. **Judgement:**

- (a) The AUASB emphasised in their submission to the IAASB that practitioners should not exercise professional judgement in relation to the conduct of procedures. The Task Force continues to support the position adopted in ED-4400 that professional judgment is relevant in an AUP engagement. However, the taskforce acknowledges that the exercise of professional judgment when performing the procedures needs further investigation and is open for discussion at the IAASB meeting in June 2019.

2. **Independence:**

- (a) The AUASB supported the proposed ED 4400 not including a precondition for the practitioner to be independent. However, the AUASB considered that ED 4400 should

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include an explicit reference to the fundamental principles of the Code when reporting on AUP engagements, in particular as a minimum the practitioners' requirement to be objective under the Code. In light of the strong support for the approach as proposed in ED-4400—that is, not including a precondition for the practitioner to be independent and not requiring the practitioner to determine independence (if the practitioner is not otherwise required to be independent), the Task Force proposes to retain the approach in ED-4400, which is consistent with the AUASB submission to the IAASB.

- (b) In relation to disclosures, the AUASB considered that the AUP report should not contain any 'negative' statements that may cause confusion to users of the AUP report.: Refer table below - the taskforce is presenting 2 alternative disclosure positions to the IAASB for deliberation at the June 2019 IAASB meeting. Alternative 1 is in alignment with the AUASB submission to the IAASB.

		Is practitioner required to be independent?	
		Yes	No
Is practitioner independent?	Unknown (i.e., not determined)	N/A: Practitioner is not able to perform the engagement because the practitioner has not determined independence.	<p>Alternative 1: Statement that the practitioner is not required to be independent.</p> <p>Alternative 2: Statement that the practitioner is not required to be independent and that the practitioner has not determined independence.</p>
	Yes	Statement that the practitioner is independent and the basis therefor (i.e., the independence criteria against which the practitioner determined independence).	<ul style="list-style-type: none"> Statement that the practitioner is independent and the basis therefor (i.e., the independence criteria against which the practitioner determined independence).
	No	Not applicable: Practitioner is not able to perform the agreed-upon procedures engagement because the practitioner is not independent.	<p>Alternative 1: Statement that the practitioner is not required to be independent.</p> <p>Alternative 2: Statement that, although the practitioner is not required to be independent, the practitioner is not independent. Explanation as to why the practitioner is not independent.</p>

3. Restriction of use

- (a) The AUASB considered that the use of an AUP report should be restricted to parties that have agreed to the procedures performed **or have been identified as intended users in the report**. The majority of respondents to the international ED agreed with no

restriction of use and based on this, the Task Force agreed that the approach of not requiring a restriction of distribution or use to be placed on the AUP report remains appropriate. The Task Force noted the following on the issue of restriction of use versus restriction on distribution:

- (i) It may be practicable to restrict the use of the AUP report but not the distribution of the report. Effectively restricting the distribution of the AUP report may be difficult in light of modern technology and possible legal or regulatory requirements for the AUP report to be made available publicly.
- (ii) In some common law jurisdictions, it is possible to restrict the use of the AUP report but not its distribution. In some civil law jurisdictions, it is possible to restrict the distribution of the AUP report but not its use.

The task force will consider developing application material to explain why neither a restriction on use nor a restriction on distribution can be mandated in the standard.

- (b) The proposals by the taskforce are not consistent with the AUASB submission to the IAASB.

Next Steps

The Task Force will consider all the respondents' comments on ED-4400 and the IAASB's directions at the June 2019 meeting in developing the post-exposure draft of ISRS 4400 (Revised). The Task Force plans to have the first read of the post-exposure draft of ISRS 4400 (Revised) ready for presentation to the Board by September 2019. The first read of the post-exposure draft will be presented to the Board September if time permits, or at a subsequent meeting when there is time available on the Board's agenda. The Task Force is working towards approval of final ISRS 4400 (Revised) in late 2019 or early 2020.