

**IAASB Project – Agreed-Upon Procedures**

**AUASB Technical Group Feedback (views may not be representative of the AUASB)**

<b>IAASB Project Objective</b>	<b>AUASB SMEs</b>
<p>(i) Redraft the standard using the clarity drafting conventions so that this standard is consistent with other IAASB International Standards.</p> <p>(ii) Revise the standard to better reflect practice in Agreed-Upon Procedures (AUP) engagements being undertaken.</p>	Robin / Rene
<b>AUASB Key Points</b>	
<b><u>Background and overall comments</u></b>	
<p>At the September 2017 IAASB meeting, the IAASB discussed the feedback on the Discussion Paper (DP), <i>Exploring the Demand for Agreed-Upon Procedures Engagements</i> and the proposal to revise ISRS 4400. The AUASB Technical Group’s summary of IAASB papers at September 2017 was:</p> <p>Comments received largely mirrored the AUASB submission on this DP and the current Australian Standard. The AUASB Technical Group flagged the following:</p> <ol style="list-style-type: none"> <li>1. Area to watch closely is that of Professional Judgement – the AUASB view is that professional judgement is exercised in the context of professional competence and due care and in identification of appropriate procedures but not in the conduct of those procedures.</li> <li>2. Principles coming through responses: <ol style="list-style-type: none"> <li>a. Professional judgement: role in context of professional competence and due care</li> <li>b. No need to be independent</li> <li>c. Non-financial information should be in scope</li> <li>d. Updated standard needs to address use of experts</li> <li>e. Report can be provided to non-signatories – parties must have understanding of AUP and conditions of engagement.</li> </ol> </li> </ol> <p>The IAASB standard is heading in the direction expected by the AUASB and consistent with the Australian standard with the exception of:</p> <ul style="list-style-type: none"> <li>• the exercise of professional judgement; and</li> <li>• independence.</li> </ul>	
<b><u>Key Points arising from review of IAASB March 2018 papers</u></b>	
<ol style="list-style-type: none"> <li>1. Professional Judgement: <ol style="list-style-type: none"> <li>a. new requirement developed Refer agenda item 5A para 16: exercise professional judgement in conducting AUP.</li> <li>b. new application material (AM) developed refer agenda item5A, paras A9, A10, A11 – professional judgement is essential to the proper conduct of an AUP.</li> </ol> </li> </ol>	
<b>Question:</b>	
AUASB views with approach being taken?	
<b>Technical Group Comment:</b>	
<p>Technical Group have concerns with proposed approach. Requirement and AM A9 is written in a way contradicting the way in which professional judgement is exercised in Australia for AUP engagements. However AM A10 provides examples of where professional judgement may be exercised and these examples are aligned to the Australian principle. Refer below for extract from the AUASB submission to the IAASB discussion paper:</p> <p><i>One of the differentiating factors between an agreed-upon procedures engagement and an assurance engagement is the extent of assurance practitioner’s professional judgement exercised in selecting procedures. In an agreed-upon procedures engagement, professional judgement may be exercised in assisting the engaging party to identify procedures when agreeing the terms of the engagement, but only professional competence and skill is exercised in conducting the procedures and in this way adds value to the engagement; while in an assurance engagement, professional judgement is exercised in selecting and</i></p>	

conducting procedures.

*While a user may place reliance on the factual findings of an assurance practitioner in an agreed-upon procedures engagement by virtue of the practitioner's professional skill in conducting the agreed-upon procedures, this reliance does not amount to the provision of assurance. In contrast, an assurance engagement the practitioner exercises their professional judgement to determine the procedures necessary to gather sufficient appropriate evidence on which to base a conclusion, which provides assurance to the intended user.*

***One of the most significant attributes of an agreed-upon procedures engagement is the lack of subjectivity in both the procedures and the factual findings. Applying judgement requires a level of subjectivity, so the AUASB considers that it is not be appropriate for the practitioner to exercise professional judgement when conducting agreed-upon procedures.***

2. Independence:

- a. majority of respondents to DP agreed that independence is not a requirement for AUP engagements, however, where not independent, a statement to that effect must be made in report.
- b. working group plan to provide guidance to practitioners on what independence for AUP is and may include development of criteria.

**Questions:**

Issue with approach being taken?

**Technical Group Comment:** ASRS 4400 requires the assurance practitioner to maintain independence equivalent to the independence requirements applicable to Other Assurance Engagements and to disclose in their report if modified independence requirements are agreed.

3. Parties involved in AUP engagement:

- a. engaging party – definition Agenda Item 5A Para 9(c) consistent with AUASB ASRS 4400.
- b. intended users – definition Agenda Item 5A Para 9(d) inconsistent with ASRS 4400. IAASB definition – “will use report” versus AUASB definition “for whom report is prepared”. IAASB definition – wider capture.
- c. responsible party – Agenda Item 5A Para 9(h) – ASRS 4400 has no such definition.

**Questions:**

Any issues with definitions?

**Technical Group Comment:** Intended users wider capture – AUASB technical group to monitor how this develops and implications.

4. Findings vs Factual Findings:

- a. IAASB working group is proposing a move away from the term “factual findings” to “findings” on the grounds that “factual findings” implies that there may be other findings that are not factual.
- b. New definition of “findings” – Agenda Item 5A Para 9(e).

**Question:** AUASB in agreement?

**Technical Group Comment:** No current issue with change noted.

5. Restriction on use/distribution of reports

- a. New requirements and AM that clarify where an AUP report may be provided to a party who is not a signatory to the engagement letter.
- b. Agenda item 5A AM A12 – clarifies that an AUP report can be provided and provides examples of how the intended user may understand procedures where not a party to the engagement letter.
- c. Agenda item 5A, para 25(k) – purpose of report and may not be suitable for other purpose.
- d. Agenda item AM A29 – may include restriction on use or distribution.

**Question:**

Agreement that AUP report can be provided to a party not a signatory to the engagement letter?

**Technical Group Comment:** Agreement with proposed approach, but noting issue with new IAASB definition of intended users.

The AUASB made a distinction between *use* of an AUP report and *distribution* of such a report, this distinction was deliberately included in the requirements of ASRS 4400. The purpose of the distinction is not to prevent distribution of a report per se, but to deter use of that report by those other than the intended users which are identified in the terms of engagement – *hence potential issue with IAASB new definition*. Reliance on that report is then effectively restricted to the intended users identified, even if the report is distributed to other parties.

**AUASB influencing activities**

AUASB Technical Director to prepare briefing notes for distribution to Australasian IAASB members and AUASB Chair – particularly to flag the differential in directions in relation to professional judgement. The Australian experience and standard could assist the IAASB in their revision.

**Next steps / milestones for this project**

No further information noted in the meeting papers.