



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6.0**

Meeting Date: 6 March 2019

Subject: Agreed-Upon Procedures Engagements

Date Prepared: 18 February 2019

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Action Required

For Information Purposes Only

Agenda Item Objectives

To review, provide input into and agree on the AUASB submission to the IAASB on the proposed international standard on related services engagements ISRS 4400 *Agreed-Upon Procedures Engagements*.

Background

The IAASB has redrafted the Agreed-Upon Procedures standard using the clarity drafting conventions so that this standard is consistent with other IAASB International Standards as well as to reflect current global practice in Agreed-Upon Procedures (AUP) engagements being undertaken.

At its September 2018 meeting the IAASB approved the proposed ISRS 4400 for a 120-day exposure period. In November, the IAASB issued the Exposure Draft *Proposed International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements*, with a comments close date of 15 March 2019.

At the September and December 2018 AUASB meetings, the AUASB has been tracking the progress of the development of ISRS 4400 (Revised) and have flagged 3 areas of focus/concern:

- exercise of professional judgement
- independence; and
- restriction on use of report.

these areas have been raised with the Australasian IAASB members as part of our attempt to influence the global exposure draft to incorporate existing elements of ASRS 4400.

While the international standard on AUPs hasn't been revised in more than 20 years. The corresponding Australian Standard ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* has been. Infact the last Australian revision was as recent as July 2013. The Australian Standard is well accepted and used in practice. Many of the aspects contained in Exposure Draft ISRS 4400 are already

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included in the extant Australian standard. For this reason, we have referenced ASRS 4400 throughout our submission.

AUASB Outreach

1. The AUASB issued a consultation paper on the proposed ISRS 4400 with a comment period closing 18 February 2019.
2. The Audit Technical Group (ATG) held a webinar on 8 February 2019 where we had an attendance of over 50 stakeholders. We ran 3 poll questions on the webinar targeting the 3 areas of concern (flagged in the background above).
 - Does the international exposure draft appropriately reflect the role of Professional Judgement and is the wording clear enough? (65% did not consider the role of professional judgement to be clear enough or did not agree with the role of professional judgement as described). The ATG considers this response demonstrative of the lack of clarity around the exercise of professional judgement.
 - Should a practitioner be required to have a level of independence when conducting AUP engagements? (78.5% consider that a level of independence when conducting AUP engagements is necessary) The ATG notes respondents to be largely supportive of the practitioner having a level of independence.
 - Should an AUP report be restricted and contain a restriction of use paragraph? (92% consider that the AUP report should be restricted). The ATG notes respondents to be largely supportive of a restriction of use paragraph – consistent with the independence response.
3. Five formal responses, including one that was marked as confidential were received from stakeholders and are included as Agenda Items 6.4-6.7.

Matters to Consider

Part A – General

1. The matters of independence (and associated disclosures) and restriction of use of report are areas that the ATG do not have consensus from written submissions from stakeholders. The board is specifically requested to consider feedback received and provide input on these areas.
2. The table below contains a summary of feedback responses to questions raised in the Consultation Paper. This table has been derived from the Summary of Comments and Disposition Paper as included at Agenda Item 6.3:

	Topic	Confidential	Deloitte (AI 6.4)	KPMG (AI 6.5)	EY (AI 6.6)	PwC (AI 6.7)	Webinar indicator
2	<i>Professional judgement appropriately reflected</i>	No judgement in conduct – further clarity required	No judgement in conduct – further clarity required	No judgement in conduct – further clarity required	No judgement in conduct – further clarity required	Limited judgement in conduct – broadly support ED	Further clarity required

	Topic	Confidential	Deloitte (AI 6.4)	KPMG (AI 6.5)	EY (AI 6.6)	PwC (AI 6.7)	Webinar indicator
3	<i>No precondition for independence</i>	Level of independence should be required – similar to ASRS 4400	Level of independence should be required– similar to ASRS 4400	Support ED Independence should not be required	Support ED Independence should not be required	Support ED Independence should not be required	Level of independence should be required– similar to ASRS 4400
4	<i>Disclosures around independence</i>	N/A	N/A	ED not clear enough	ED not clear enough	No significant issues	N/A
5	<i>Findings vs factual findings</i>	Don't support change to findings	Don't support change to findings	Don't support change to findings	Support Change	Support Change	N/A
6	<i>Acceptance and Continuance appropriate</i>	Largely support	Largely support	Largely support	Largely support	Largely support – but considers that users should acknowledge	N/A
7	<i>Experts appropriate</i>	Agree	Agree	Don't agree	Agree	Agree	N/A
8	<i>Restriction on use</i>	Report should not be restricted*	Report should have a restriction on use paragraph	Report should not be restricted	Report should not be restricted	Report should have a restriction on use paragraph	Report should have a restriction on use paragraph
9	<i>Report content appropriate</i>	Agree but suggestions	Agree but suggestions	Agree but suggestions	Agree but suggestions	Agree but suggestions	N/A

* Stakeholder supports a level of independence, modified independence requires a restriction on use paragraph.

3. Based on the table above the draft submission has been prepared on the following basis:

	Topic	How response drafted	Rationale for how response drafted
2	<i>Professional judgement appropriately reflected</i>	No judgement in conduct. Exposure Draft not clear enough. Refer to response to Q2 in the draft submission to the IAASB as contained in AI 6.2.	Only one respondent with a differing view (see table above).
3	<i>No precondition for independence</i>	2 options provided. Refer to response to Q3/4 in the draft submission to the IAASB as contained in AI 6.2.	Very mixed responses, (see table above).
4	<i>Disclosures around independence</i>	Exposure Draft not clear enough. Refer to response to Q3/4 in the draft submission to the IAASB as contained in AI 6.2.	Responses consistently indicate current disclosure requirements unclear, (see table above).
5	<i>Findings vs factual findings</i>	Supporting term factual findings not findings. Refer to response to Q5 in the draft submission to the IAASB as contained in AI 6.2.	Majority view, (see table above).
6	<i>Acceptance and Continuance appropriate</i>	Supportive. Refer to response to Q6 in the draft submission to the IAASB as contained in AI 6.2.	Only one respondent with a differing view (see table above).
7	<i>Experts appropriate</i>	Supportive. Refer to response to Q7 in the draft submission to the IAASB as contained in AI 6.2.	Only one respondent with a differing view (see table above).
8	<i>Restriction on use</i>	Supportive of a restriction of use paragraph. Refer to response to Q8 in the draft submission to the IAASB as contained in AI 6.2.	Mixed views – however, the draft submission is based on the extant ASRS 4400 that has a restriction of use paragraph.
9	<i>Report content appropriate</i>	Supportive. Refer to response to Q9 in the draft submission to the IAASB as contained in AI 6.2.	Majority view, (see table above).

4. The content of the Summary of Comments and Disposition paper as included as Agenda Item 6.3 has been used in the draft submission to the IAASB as included at Agenda Item 6.2.

Part B – NZAuASB

1. AUP engagements out of the remit of the NZAuASB.

Material Presented

Agenda Item 6.0	AUASB Board Meeting Summary Paper
Agenda Item 6.1	AUASB Draft cover letter to the IAASB
Agenda Item 6.2	AUASB Draft submission to the IAASB (includes as Appendix 1: ASRS 4400)
Agenda Item 6.3	Summary of comments received on Consultation Paper
Agenda Item 6.4	Comment received from Deloitte
Agenda Item 6.5	Comment received from KPMG
Agenda Item 6.6	Comment received from EY
Agenda Item 6.7	Comment received from PWC

Action Required

No.	Action Item	Responsibility	Due Date	Status
1.	Input into and approval of submission	AUASB	18 February 2019	
