



# Agreed-Upon Procedures

**Ron Salole, IAASB Member and Working Group Chair**

IAASB Consultative Advisory Group Meeting

September 11, 2017

Agenda Item F



International Auditing  
and Assurance  
Standards Board

## Presentation outline

- Introduction
  - Public interest
  - Discussion Paper
  - Response Analysis
    - type of entity
    - geographical area
    - overall summary
    - responses on issues
  - Next steps and resources needed
-

## Introduction

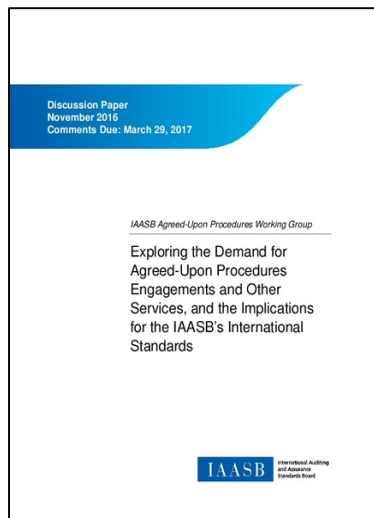
- Working Group established in 2015 to explore AUP issues
  - Extensive consultations undertaken in 2015 and 2016
  - Discussion Paper released in November 2016
  - Purpose of this presentation is to provide a high level summary of the feedback received
  - Fifty four responses from a wide range of stakeholders and jurisdictions
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## Public Interest

- Responds to needs of stakeholders for increased accountability
  - Provides clarity in AUP report and reduces confusion
  - Promotes consistent interpretation and performance
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# Discussion Paper

- The DP requested responses to 15 questions, covering:
  - The role of professional judgment in an AUP engagement (Q1-Q2)
  - The independence of the professional accountant (Q3)
  - Terminology used in describing procedures and reporting factual findings in an AUP report (Q4)
  - AUP engagements on non-financial information (Q5-Q6)
  - Using the work of an expert (Q7)
  - Format of the AUP Report (Q8)
  - AUP Report to a party who is not a signatory to the engagement agreement (Q9)
  - Approach to restricting the distribution and use of the AUP report (Q10-Q11)
  - Recommendations made in conjunction with AUP engagements (Q12)
  - Other significant issues (Q13)
  - Multi-scope engagements (Q14-Q15)



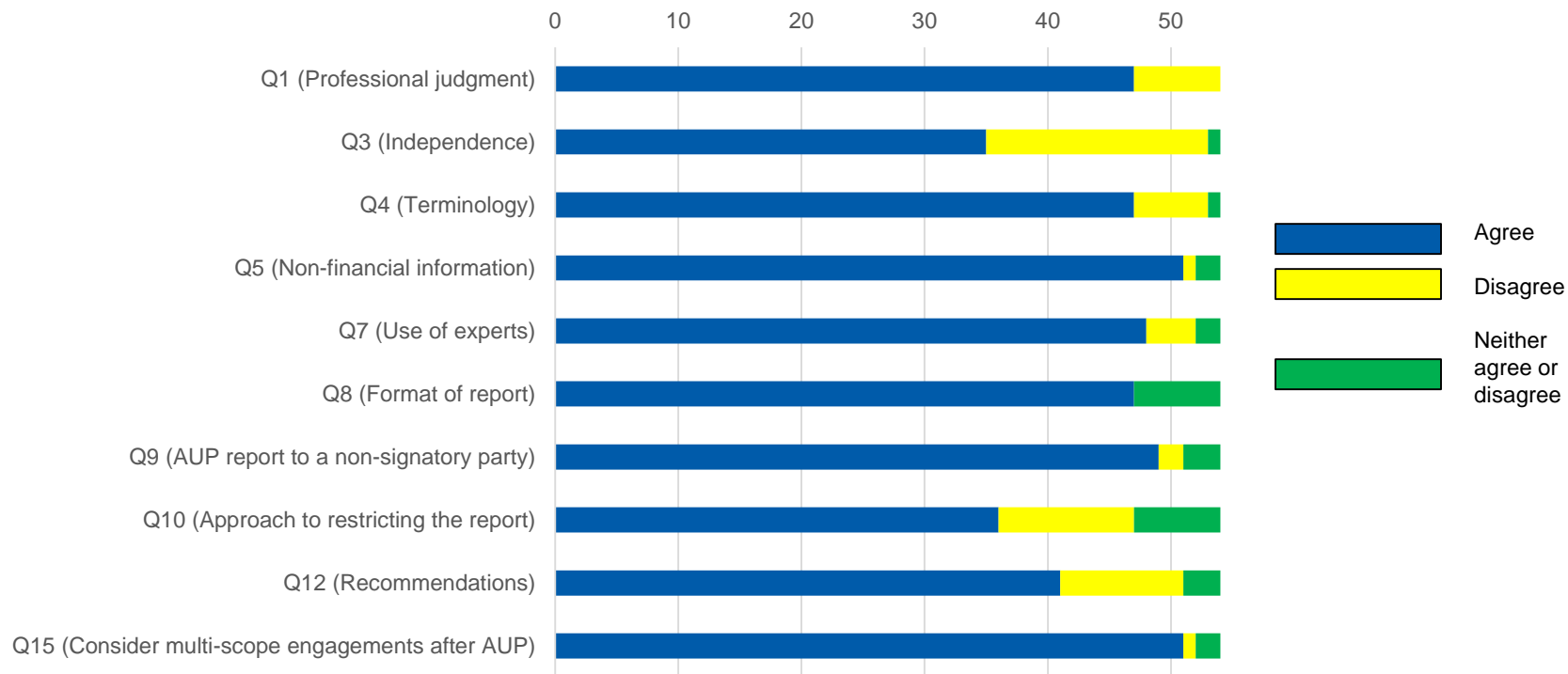
## Responses (type of entity)



## Responses (geographical area)



## Overall summary of responses

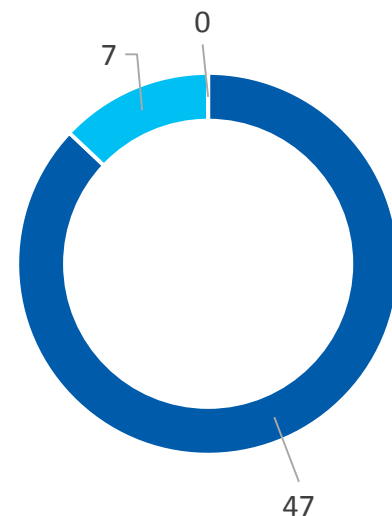




## The role of professional judgment in an AUP engagement

*Q1. Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. However, the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. Is this consistent with your views on the role of professional judgment in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?*

- A significant majority agreed that professional judgment has a role in an AUP engagement, particularly in the context of professional competence and due care.



■ Agree ■ Disagree ■ Neither A nor D

## Professional Judgment (cont'd)

*Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?*

- Respondents' views were almost evenly split regarding whether there is a need for a **requirement** on professional judgment. Potential unintended consequences of including such a requirement include:
  - Exacerbating the confusion about the nature and extent of professional judgment expected in an AUP engagement; and
  - Obscuring the line between an AUP engagement and an assurance engagement.

## Professional Judgment (cont'd)

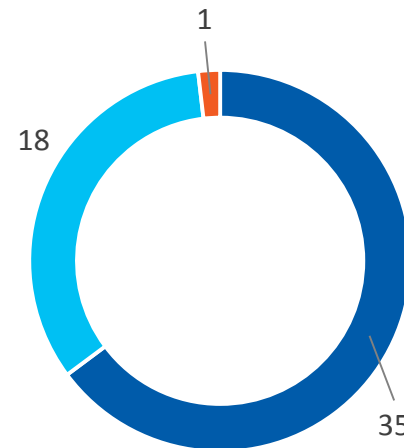
### *Other Comments on Professional Judgment and Professional Skepticism*

- A few respondents noted that professional skepticism is only referenced in standards dealing with audit and assurance engagements.
- These respondents suggested that the concept of professional skepticism should not be included in ISRS 4400 (Revised) until the IAASB and the International Ethics Standards Board for Accountants (IESBA) have considered and resolved potential changes to the definition and the applicability of professional skepticism.

## Independence of the professional accountant

*Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?*

- The majority agreed with not requiring the practitioner to be independent.

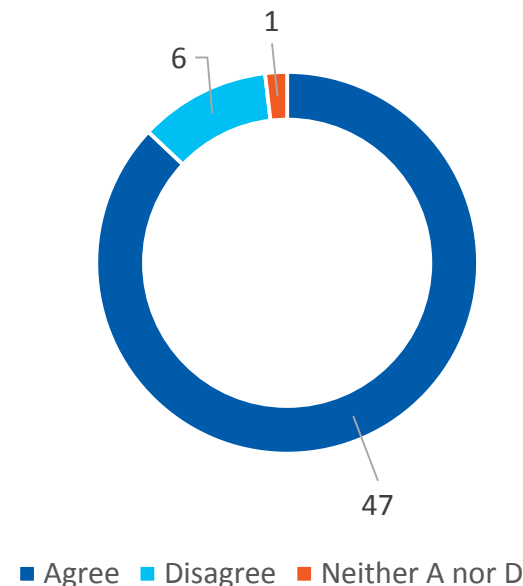


■ Agree ■ Disagree ■ Neither A nor D

## Terminology

*Q4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology mean? Would your views change if the AUP report is restricted?*

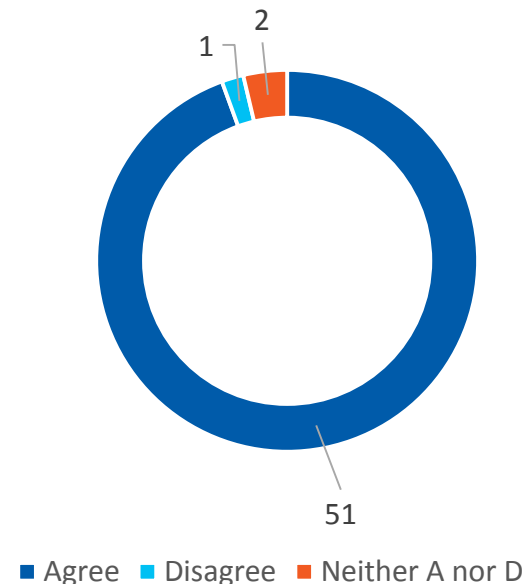
- A significant majority agreed that unclear or misleading terminology should be prohibited unless required by law or regulation.



## AUP engagements on non-financial information

*Q5. What are your views regarding clarifying that the scope of ISRS 4400 includes non-financial information, and developing pre-conditions relating to competence to undertake an AUP engagement on non-financial information?*

- A significant majority agreed that ISRS 4400 (Revised) should be clarified to include non-financial information within its scope.



## Non-Financial Information (cont'd)

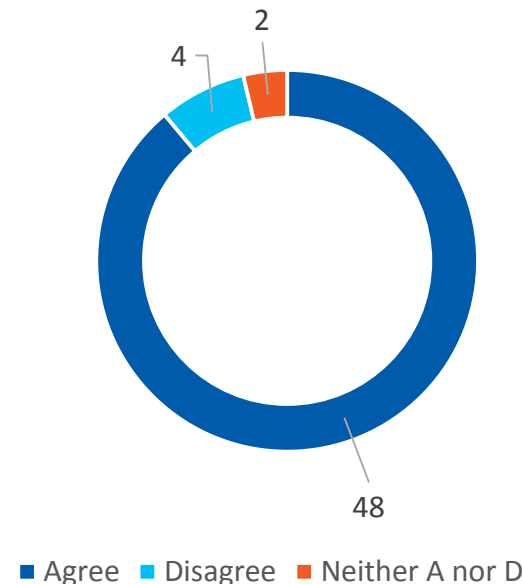
*Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?*

- Several respondents suggested that the competence requirements should apply to all AUP engagements regardless of whether the AUP engagement deals with financial or non-financial information.
- A few respondents also pointed out that the reference to “reasonable criteria” in existing ISRS 4400 may not be appropriate given that the procedures to be performed are already clearly set out in the terms of engagement (i.e., there is no need for the practitioner to apply “criteria”).

## Using the Work of an Expert

*Q7. Do you agree with the Working Group's views that ISRS 440 should be enhanced, as explained above, for the use of experts in AUP engagements? Why or why not?*

- A significant majority agreed that ISRS 4400 (Revised) should address the use of the work of an expert.

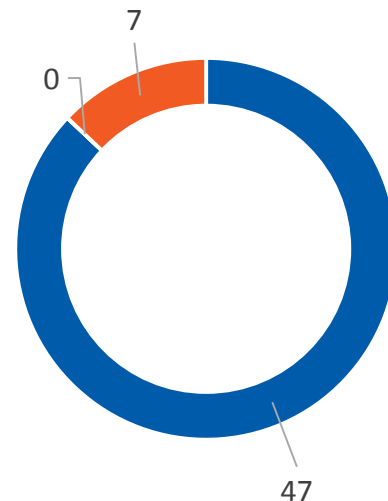




## Format of the AUP report

*Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?*

- A significant majority agreed with improving the illustrative report.

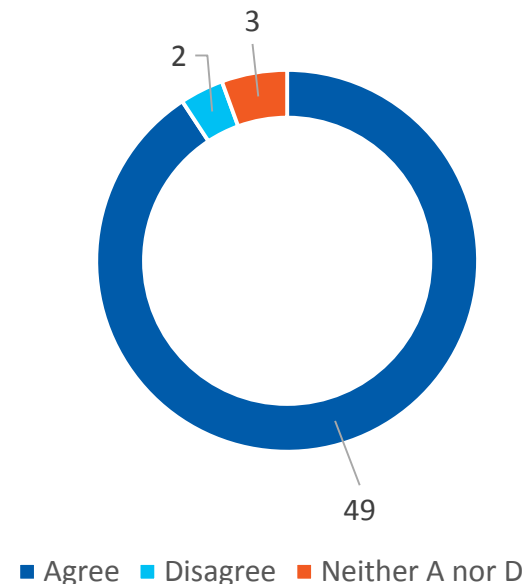


■ Agree ■ Disagree ■ Neither A nor D

## AUP Report to a party who is not a signatory to the engagement agreement

*Q9. Do you agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement? If not, what are your views?*

- A significant majority agreed that the AUP report can be provided to a party who is not a signatory to the engagement agreement provided that the party has a clear understanding of the AUP and the conditions of the engagement.

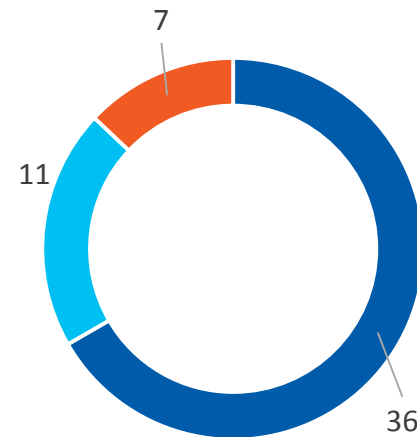


## Approach to restricting the distribution and use of the AUP **report**

*Q10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.*

*Q11. Are there any other approaches that the Working Group should consider?*

- The majority agreed with requiring the AUP report to include a statement to the effect that the report is intended solely for the specific users and may not be suitable for any other purposes.

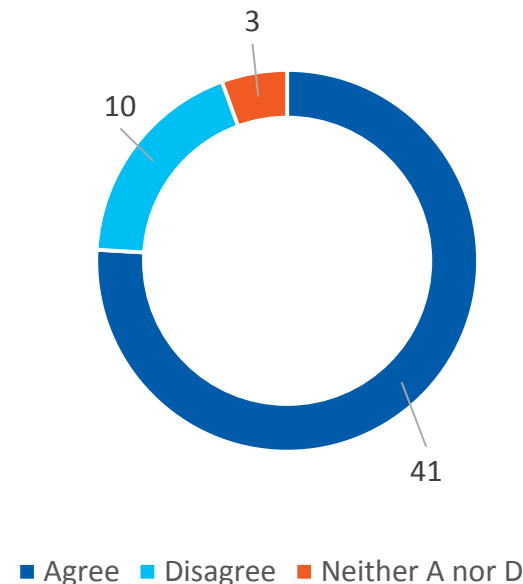


■ Agree ■ Disagree ■ Neither A nor D

## Recommendations made in conjunction with AUP engagements

*Q12. Do you agree with the Working Group's view that recommendations should be clearly distinguished from the procedures and factual findings? Why or why not?*

- A majority agreed that recommendations made as part of, or in addition to, AUP engagements should be clearly distinguished from the AUP engagement and report. Most of the remaining respondents expressed the view that ISRS (Revised) should not deal with recommendations.



## Other significant issues

*Q13. Are there any other areas in ISRS 4400 that need to be improved to clarify the value and limitations of an AUP engagement? If so, please specify the area(s) and your views as to how it can be improved?*

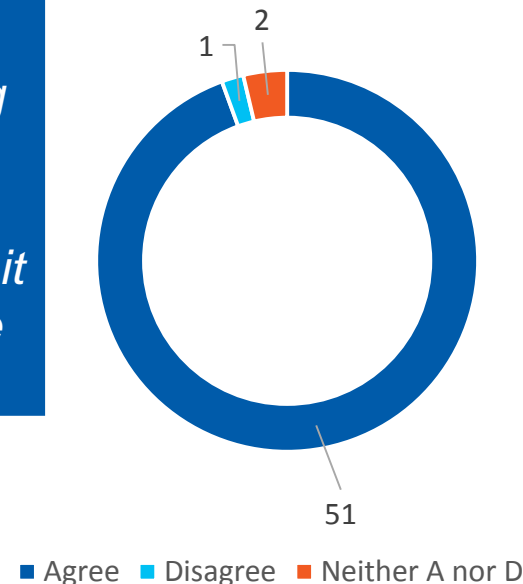
- Updating ISRS 4400 to reflect the range of AUP engagements used today
  - In particular, the requirements and related application material should be written in a way that can accommodate different types of AUP engagements such as those that are negotiated between the entity and the practitioner and those that are set out in law or regulation.
- Obtaining management's written representations and written assertions;
- Dating the AUP report;
- Including a linkage to ISQC 1; and
- Documentation.

## Multi-scope engagements

*Q14. What are your views as to whether the IAASB needs to address multi-scope engagements, and how should this be done? For example, would non-authoritative guidance be useful in light of the emerging use of these types of engagements?*

*Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?*

- A significant majority agreed that guidance on multi-scope engagements would be useful, but that guidance should not be developed before ISRS 4400 is revised.



## Next Steps and Resources Needed

- Review of feedback on Discussion Paper by CAG and Board
  - If Board agrees, review of project proposal
  - Staff resources provided by Canadian AASB
  - IAASB staff supervising project
  - Board time when available
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