

**Agreed-Upon Procedures — Issues Paper****Objective of Agenda Item**

The objective of this agenda item is to obtain the IAASB's views on the changes to proposed International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*, relating to:

- Professional Judgment; and
- Independence.

**Introduction**

1. This agenda item provides:
  - A summary of the views from respondents to the Exposure Draft of ISRS 4400 (Revised)<sup>1</sup> (ED-4400), recognizing that feedback from respondents to ED-4400 was communicated to the Board in more detail in June 2019;<sup>2</sup>
  - A summary of the views expressed by the Board at its IAASB June 2019 meeting; and
  - The ISRS 4400 Task Force's (the Task Force) proposed changes to ED-4400 in response to these comments.

For reference, the draft minutes of the IAASB June 2019 meeting are provided in **Appendix 2**.

2. Members are asked to provide substantive comments at the conference call. Editorial comments may be provided to the Task Force offline.
3. Based on the views from respondents to ED-4400 and the Board's discussions at this conference call and the June 2019 Board meeting, the Task Force will develop a draft of proposed ISRS 4400 (Revised). This draft will be provided to the Board for offline comments in early October 2019. The Task Force will address the offline comments and present proposed ISRS 4400 (Revised) for approval at the IAASB's December 2019 meeting.

**I. Professional Judgment***Views from Respondents to ED-4400*

4. A significant majority of respondents agreed that professional judgment is not suspended in an Agreed-Upon Procedures (AUP) engagement, particularly at the engagement acceptance stage. However, many respondents indicated that professional judgment cannot be exercised when performing the procedures.

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<sup>1</sup> Proposed ISRS 4400, *Agreed-Upon Procedures Engagements*

<sup>2</sup> <https://www.iaasb.org/system/files/meetings/files/20190617-IAASB-Agenda-Item-3-Report-on-Responses-to-ED-4400-Final.pdf>

*Views Expressed at the IAASB June 2019 Meeting*

5. The Board generally agreed that professional judgment is not exercised when performing procedures. However, it should be clear that the practitioner's training, knowledge and experience are applied throughout the engagement.
6. The Board also cautioned against introducing extensive introductory paragraphs to explain the differences between AUP engagements and assurance engagements. It was noted that these introductory paragraphs may create confusion for practitioners who do not ordinarily perform assurance engagements.

*Task Force's Proposed Disposition*

7. To reflect the point that professional judgment is not exercised when performing procedures, the Task Force proposes to:
  - Change paragraph 18 to require the practitioner to apply professional judgment in an AUP engagement except in the performance of the procedures as agreed upon in the terms of the engagement.
  - Add a preamble in paragraph A15 clarifying that no professional judgment is involved in the performance of the AUP.
8. To clarify that the practitioner's training, knowledge and experience are applied throughout the engagement, the Task Force proposes to:
  - Amend paragraph A14 to clearly explain that:
    - An AUP engagement involves the performance of the specific procedures that have been agreed upon with the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. As there are no alternative courses of action in performing the procedures, the performance of the procedures requires no professional judgment.
    - Notwithstanding that professional judgment is not exercised when performing the procedures, the practitioner applies relevant training, knowledge and experience throughout the AUP engagement.
  - Add, in paragraph A15, new examples of areas where professional judgment is applied in an AUP engagement and subheadings to clearly distinguish and demonstrate how professional judgment is applied at each engagement stage.
9. The Task Force further considered whether the practitioner should be required to inform the engaging party and other intended users about how professional judgment is applied in an AUP engagement – for example, by including a statement in the engagement letter and the AUP report on the application of professional judgment along the lines of:

“In performing this engagement, we apply relevant training, knowledge and experience throughout the engagement. We also apply professional judgment throughout the engagement except in the performance of the procedures as agreed upon in the terms of the engagement.”

10. In the Task Force's view, such a statement is unnecessary. From the perspective of the engaging party and other intended users, the key piece of information is the nature and extent of the practitioner's involvement in an AUP engagement, which is already explained in the engagement letter and in the AUP report. For example, the AUP report states the following:

“An AUP engagement involves our performing of the procedures that have been agreed upon with the engaging party, and reporting the factual results (findings) based on the agreed-upon procedures performed...”

11. The following sets out the proposed requirements and application material on the application of professional judgment. The mark-up reflects changes from ED-4400.

18	<p>The practitioner shall apply professional judgment <u>in an agreed upon procedures engagement except in the performance of the procedures as agreed upon in the terms of the engagement</u> <del>in accepting and conducting an agreed-upon procedures engagement, taking into account the circumstances of the engagement.</del> (Ref: Para. A14-A15)</p>
A14	<p>Professional judgment is <u>the application of relevant training, knowledge and experience, within the context provided by ethical requirements, applied in the acceptance and proper conduct of an agreed-upon procedures engagement.</u> Professional judgment is necessary <del>to interpret and apply relevant ethical requirements and this ISRS, and in making informed decisions about courses of actions that are appropriate in the circumstances of the agreed-upon procedures engagement throughout the agreed-upon procedures engagement.</del> A16. <del>Unlike in an assurance engagement, the procedures performed in an agreed-upon procedures engagement are not designed by the practitioner to obtain reasonable or limited assurance evidence that provides a basis for an opinion or conclusion. Rather, a</del>An agreed-upon procedures engagement involves the performance of the specific procedures that have been agreed upon with the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. <u>As there are no alternative courses of action in performing the agreed-upon procedures, the performance of the agreed-upon procedures requires no professional judgment. However, the practitioner applies relevant training, knowledge and experience throughout the agreed-upon procedures engagement. The more a procedure requires professional judgment, the more the practitioner may need to consider whether the condition that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations is present.</u></p>
A15	<p>While no professional judgment is involved in the performance of the <u>agreed-upon procedures,</u> <del>P</del>professional judgment may be applied in an agreed-upon procedures engagement as follows:</p> <p><u>Accepting the agreed-upon procedures engagement and agreeing the terms of engagement</u></p> <ul style="list-style-type: none"> <li>• Discussing <u>and agreeing</u> the nature, timing and extent of the procedures to be performed <del>(taking into account the purpose of the engagement)</del> with the engaging</li> </ul>

<p>party, and in some cases, the intended users or the responsible party (if these parties are not the engaging party) or the practitioner's expert.</p> <ul style="list-style-type: none"><li>• <u>Considering whether the engagement acceptance and continuance conditions were met.</u></li></ul> <p><u>Planning the agreed-upon procedures engagement</u></p> <ul style="list-style-type: none"><li>• Determining the resources necessary to carry out the procedures as agreed in the terms of the engagement, including the need to involve a practitioner's expert.</li></ul> <p><u>Determining appropriate actions during the course of the engagement</u></p> <ul style="list-style-type: none"><li>• Determining appropriate actions if the practitioner becomes aware of:<ul style="list-style-type: none"><li>○ Facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.</li><li>○ Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.</li><li>○ Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate that the information may be misleading.</li></ul></li></ul> <p><u>Reporting</u></p> <ul style="list-style-type: none"><li>• <u>Describing the findings in an objective manner and at an appropriate level of granularity, particularly when exceptions are found.</u></li><li>• <del>Determining whether any of the terminology used to describe the procedures or findings is unclear, misleading, or subject to varying interpretations</del></li></ul>
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#### *Differences Between AUP Engagements and Assurance Engagements*

12. On the issue of whether to include material pertaining to the differences between AUP engagements and assurance engagements in ISRS 4400 (Revised), the Task Force acknowledges the concern that including such material in the standard may cause confusion for practitioners who do not ordinarily perform assurance engagements. On the other hand, such material may provide useful guidance for practitioners who perform assurance engagements. **Appendix 1** to this paper explains the differences between AUP engagements and assurance engagements. Subject to the Board's decision, this material could be included in an appendix to ISRS 4400 (Revised), the Basis for Conclusions or non-authoritative guidance accompanying the issuance of ISRS 4400 (Revised).

#### **Matters for IAASB Consideration**

1. The IAASB is asked for its views on:
  - a) The Task Force's proposed changes to paragraphs 18, A14 and A15 of ED-4400?
  - b) Whether the material developed by the Task Force to explain the differences between AUP engagements and assurance engagements should be retained and, if so, the appropriate location of the content?

## II. Independence – Precondition

### *Views from Respondents to ED-4400*

13. A significant majority of respondents agreed that there should not be a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective).

### *Views Expressed at the IAASB June 2019 Meeting*

14. The Board generally agreed with not including a precondition for the practitioner to be independent and not requiring the practitioner to determine independence. However, a few members suggested that independence should be considered during the engagement acceptance stage:
  - A member suggested that the practitioner should be required to consider whether, given the purpose of the engagement, independence would be appropriate, and what might be the threats to objectivity; and
  - Another member suggested that the practitioner discusses with the engaging party at the engagement acceptance stage whether the independence of the practitioner is an important consideration for the engagement.

### *Task Force's Proposed Disposition*

15. Consistent with the Board's views, the Task Force retained the approach of not including a requirement or precondition for the practitioner to be independent in accepting an AUP engagement. The Task Force deliberated how best to reflect the Board members' comments regarding additional considerations of independence (if the practitioner is not otherwise required to be independent), and identified 3 alternatives:
  - *Alternative 1:* Requirement for the practitioner to consider whether independence is appropriate based on the circumstances of the engagement. Under this alternative, the decision on whether the practitioner should be independent rests with the practitioner.
  - *Alternative 2:* Application material that the practitioner may wish to discuss the importance of independence with the engaging party and to consider whether independence may be appropriate in the circumstances of the engagement. The application material may be linked to the requirement for the practitioner to obtain an understanding of the purpose of the engagement.
  - *Alternative 3:* Requirement for the practitioner to inquire of the engaging party whether the practitioner should be independent and application material for the practitioner to discuss with the engaging party whether independence may be appropriate in the circumstances of the engagement. Under this alternative, the decision of whether independence is appropriate rests with the engaging party.
16. In the Task Force's view, Alternative 1 is not practicable as there are no generally accepted criteria for the practitioner to consider whether independence is appropriate. This alternative would likely result in inconsistent practice.

17. The Task Force members had mixed views between Alternative 2 and Alternative 3. One member supported Alternative 2, which prompts (but does not require) the practitioner to discuss and consider independence issues. The member is of the view that Alternative 2 sufficiently addresses the additional considerations of independence, especially in cases when it is obvious that independence is unnecessary. However, on balance, the Task Force supported Alternative 3 because a requirement will result in a more rigorous and consistent consideration of independence matters.
18. To reflect Alternative 3, the Task Force proposed to add:
- Paragraph 19A to require the practitioner to inquire of the engaging party whether independence should be a condition of the engagement (if the practitioner is not otherwise required to be independent); and
  - Paragraph A19b to provide guidance on the practitioner's independence discussion with the engaging party.<sup>3</sup>
19. The Task Force has also developed two proposed new requirements to address the circumstance when the practitioner is required to be independent (for example, if the engaging party decides that the practitioner should be independent after discussion with the practitioner):
- Paragraph 20(c) to include a precondition for the practitioner to have no reason to believe that the independence requirements will not be satisfied;<sup>4</sup> and
  - Paragraph 22(i) to require, if applicable, the independence criteria against which the practitioner determines independence to be identified in the terms of the engagement.
- In the Task Force's view, these two requirements would apply whenever the practitioner is required to be independent regardless of the alternative selected. Paragraph 20(c) makes it clear that if the practitioner is required to be independent as a condition of the engagement but may not be able to comply with that condition, then the practitioner should not accept the engagement. ED-4400 was silent on this matter. Paragraph 22(i) would require the terms of engagement to make it clear when independence is required and the independence criteria with which the practitioner is required to comply.
20. In developing the above material, the Task Force deliberated on a common circumstance in some jurisdictions where the practitioner performing the AUP engagement is also the auditor of the engaging party and that practitioner is required to be independent for the AUP engagement. The Task Force concluded that it would be useful to clarify which requirements in ISRS 4400 (Revised) apply under such circumstances. Accordingly, the Task Force added paragraph A19a to provide guidance on this matter.
21. The following sets out the proposed requirements and application material on the independence precondition. The mark-up reflects changes from the ED-4400.

19A	<u>If the practitioner is not already required to be independent by relevant ethical requirements or other reasons, the practitioner shall inquire of the engaging party whether</u>
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<sup>3</sup> This application material may also be modified to provide guidance on the practitioner's considerations under Alternative 2.

<sup>4</sup> This paragraph is based on paragraph 22(a) of International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

	<u>independence should be a condition of the engagement, and, if so, agree with the engaging party the independence criteria against which the practitioner determines independence.</u>
20	<p>Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present:</p> <ul style="list-style-type: none"> <li>(a) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement; <del>and</del></li> <li>(b) The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; <u>and</u></li> <li>(c) <u>If the practitioner is required to be independent by relevant ethical requirements, terms of engagement, or other reasons, the practitioner has no reason to believe that the independence requirements will not be satisfied.</u></li> </ul>
22	<p>The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party. These terms shall include the following:</p> <ul style="list-style-type: none"> <li>(a) The nature of the agreed-upon procedures engagement, including a statement that the procedures to be performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or conclusion;</li> <li>(b) Acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement;</li> <li>(c) The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party;</li> <li>(d) Acknowledgement of the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures engagement and whether the practitioner is required to be independent;</li> <li>(e) Identification of the subject matters on which the agreed-upon procedures will be performed;</li> <li>(f) The nature, timing and extent of the procedures to be performed;</li> <li>(g) Reference to the expected form and content of the agreed-upon procedures report; <del>and</del></li> <li>(h) Identification of the addressee of the agreed-upon procedures report; <u>and-</u></li> <li>(i) <u>A statement as to whether the practitioner is required to be independent and if so, the independence criteria against which the practitioner determines independence.;</u></li> </ul>
A19a	<u>There may be circumstances when the practitioner performing the agreed-upon procedures engagement is also the auditor of the engaging party. In some jurisdictions, the practitioner in such circumstances is required to be independent for the agreed-upon procedures engagement. Accordingly, paragraphs 20(c), 22(i) and 30(f)(i) apply.</u>

A19b	<p><u>If the practitioner is not already required to be independent by relevant ethical requirements or other reasons, paragraph 20A requires the practitioner to inquire of the engaging party whether independence should be a condition of the engagement. When making such inquiries, the practitioner may wish to discuss with the engaging party whether independence may be appropriate based on the circumstances of the engagement. For example, independence may be appropriate when the intended users expect the agreed-upon procedures engagement to be performed by an independent practitioner. This may be the case when:</u></p> <ul style="list-style-type: none"><li>• <u>The agreed-upon procedures engagement is performed by a practitioner who has performed assurance engagements for the engaging party.</u></li><li>• <u>The agreed-upon procedures report is expected to be widely distributed.</u></li></ul> <p><u>On the other hand, independence may not be necessary when there is no expectation that the agreed-upon procedures engagement is to be performed by an independent practitioner. This may be the case when:</u></p> <ul style="list-style-type: none"><li>• <u>The agreed-upon procedures engagement is performed by a practitioner who has not performed any assurance engagements for the engaging party.</u></li><li>• <u>The agreed-upon procedures report is expected to be provided only to internal parties such as management or those charged with governance.</u></li></ul>
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#### **Matter for IAASB Consideration**

2. The IAASB is asked for its views on the Task Force's proposals on the independence precondition considerations.

### **III. Independence – Disclosure**

#### *Views from Respondents to ED-4400*

22. A majority of respondents agreed with the enhanced transparency regarding the practitioner's independence. However, many respondents disagreed with the requirement to state that the practitioner is not independent when there is no requirement for the practitioner to be independent. These respondents suggested that, as long the practitioner is not required to be independent, a simple statement that the practitioner is not required to be independent is sufficient.

#### *Views Expressed at the IAASB June 2019 Meeting*

23. The Board discussed whether, and if so, the extent to which, disclosures about independence are required in the AUP report. In its deliberations, the Board considered:
  - The need to provide clear communication to readers of the report;
  - The challenges of determining and communicating whether the practitioner is independent, recognizing that relevant ethical requirements do not contain criteria for determining independence;

- The challenges of achieving consistent reporting across a broad range of circumstances; and
  - The potential confusion that inconsistent reporting may cause.
24. While the Board had mixed views on disclosures in circumstances when the practitioner is not required to be independent, the balance of views expressed by the Board supported disclosing:
- A statement that the practitioner is not required to be independent; and
  - An additional statement explaining that the practitioner has not made an evaluation of independence.

There was also support for requiring this ‘limited’ disclosure irrespective of whether the practitioner knows or does not know whether they are independent.

25. The Board supported the Task Force proposal to explore how transparency regarding the practitioner’s objectivity could be enhanced in the AUP report. The enhanced transparency on objectivity may help mitigate the “expectations gap” resulting from intended users expecting the practitioner to be independent.

#### *Task Force’s Proposed Disposition*

26. In the Task Force’s view, the wording of the additional statement, as referred to in the second bullet of paragraph 24, must be able to be used in various scenarios, such as when the practitioner:
- Has not determined independence and is unable to form a conclusion on whether the practitioner is independent; or
  - Has determined that the practitioner is not, or is aware that the practitioner may not be, independent – for example, if the practitioner holds a significant financial interest in the responsible party.
27. The Task Force contemplated, but ultimately rejected, possible wording that appears to indicate that the practitioner has not made any determination relating to independence (as the practitioner may have done so). The Task Force also considered whether the wording should indicate that the practitioner makes no representation, or assertion, about independence (as opposed to indicating that the practitioner has not made any determination of independence). In the Task Force’s view, a statement that the practitioner makes no assertion about independence would be appropriate in the various scenarios set out in the immediately preceding paragraph.
28. Accordingly, the Task Force proposes to:
- Enhance transparency regarding objectivity by requiring the AUP report to include a statement in relation to the practitioner’s objectivity (paragraph 30(f)) and adding application material in paragraph A39a to provide guidance on how such a statement may be worded.
  - Modify the objectivity and independence disclosure requirements in paragraph 30(f) for the AUP report to include:
    - If the practitioner is required to be independent – A statement that the practitioner is independent as well as disclosing the independence criteria against which the practitioner determined independence; and

- If the practitioner is not required to be independent – A statement that the practitioner is not required to be independent and accordingly, makes no assertion about independence.
  - Eliminate the option for the practitioner to choose to disclose that the practitioner is independent when the practitioner is not required to be independent. The elimination of this option reduces potential inconsistency in independence disclosures.
29. The Table below provides a comparison of the required disclosures as set out in the ED-4400 versus the proposed approach as discussed in the immediately preceding paragraph.

		Is practitioner required to be independent?	
		Yes	No
Is practitioner independent?	<b>Unknown (i.e., not determined)</b>	N/A: Practitioner is not able to report until the practitioner has determined independence.	AUP Report under ED-4400: Statement that the practitioner is not required to be independent.  <b>AUP Report under the revised disclosure approach: Statement that the practitioner is not required to be independent and accordingly, makes no assertion about independence.</b>
	<b>Yes</b>	AUP Report under ED-4400: Statement that the practitioner is independent and the independence criteria against which the practitioner determined independence.  <b>AUP Report under the revised disclosure approach: No Change from ED-4400.</b>	AUP Report under ED-4400: Statement that the practitioner is independent and the basis therefor.  <b>AUP Report under the revised disclosure approach: Statement that the practitioner is not required to be independent and accordingly, makes no assertion about independence.</b>
	<b>No</b>	N/A: Practitioner is not able to report (or perform the engagement) because the practitioner is not independent.	AUP Report under ED-4400: Statement that the practitioner is not required to be independent and is not independent.  <b>AUP Report under the revised disclosure approach: Statement that the practitioner is not required to be independent and accordingly, makes no assertion about independence.</b>

30. The following sets out the proposed requirements and application material on the disclosure of independence. The mark-up reflects changes from the ED-4400.

30(f)	<p>With respect to <u>objectivity and independence</u>, a statement regarding the practitioner's <u>objectivity and</u>:</p> <p>(i) If required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, a statement that the practitioner is independent and <u>the independence criteria against which the practitioner determined independence</u> <del>the basis therefor</del>; or</p> <p><del>(ii)</del> If not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, <u>a statement that the practitioner is not required to be independent and accordingly, makes no assertion about independence</u> <del>either</del>;</p> <p><del>(iii)</del> a. <del>A statement that the practitioner is not required to be independent</del>; or</p> <p>(iv) b. <del>If a determination has been made that the practitioner is independent, a statement to that effect and the basis therefor</del>;</p>
A39a	<p><u>The statement on the practitioner's objectivity may include, for example, an explanation that the IESBA Code requires the practitioner to comply with fundamental principles including objectivity, which requires the practitioner not to compromise the practitioner's professional or business judgment because of bias, conflict of interest or the undue influence of others.</u></p>

*Considerations on the Proposed Changes Set Out in the Precondition and Disclosures Sections*

31. In addition to the changes described above, the Task Force proposes the following enhancements to the requirements:
- Paragraph 20A: Requiring the practitioner to inquire with the engaging party as to whether independence should be a condition of the engagement (if the practitioner is not otherwise required to be independent);
  - Paragraph 21(c): Requiring the practitioner to only accept the AUP engagement if the practitioner has no reason to believe that the independence requirements will not be satisfied (if the practitioner is required to be independent); and
  - Paragraph 30(f): Requiring specific disclosures on the objectivity of the practitioner.
32. The Task Force is of the view that the revised independence disclosure requirements, together with the additional requirements in paragraphs 20A, 21(c) and 30(f), achieve an appropriate balance between consistent application and transparency, and enhance the standard. For example, if the practitioner is required to be independent, paragraph 30(f) requires the AUP report to include a statement that the practitioner is independent and the independence criteria against which the practitioner determined independence. On the other hand, if:
- The practitioner is not required by relevant ethical requirements, laws or regulations or other reasons to be independent; and
  - The engaging party does not require the practitioner to be independent after the practitioner has discussed this matter with the engaging party,

then independence is evidently not an important factor for the particular AUP engagement. The disclosures in the AUP report reflect this fact. Accordingly, the revised independence disclosure requirement, together with the enhanced description of the practitioner's objectivity, provide appropriate transparency regarding the practitioner's objectivity and independence.

**Matter for IAASB Consideration**

3. The IAASB is asked for its views on the Task Force's proposals on the disclosures in the AUP report.

## Differentiating Factors Between Agreed-Upon Procedures Engagements and Assurance Engagements

An agreed-upon procedures engagement is different from an assurance engagement.<sup>5</sup> In an agreed-upon procedures engagement, the practitioner performs the procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner communicates the agreed-upon procedures performed and the related factual results (findings) in the agreed-upon procedures report. The engaging party and other intended users assess for themselves the agreed-upon procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner. In an assurance engagement, the practitioner designs and performs procedures to obtain sufficient appropriate evidence based on the practitioner's assessment of materiality and risk of material misstatement in order to express a conclusion designed to enhance the degree of confidence of the intended users about the subject matter information.

<b>Differentiating Factor</b>	<i>Agreed-Upon Procedures Engagements</i>	<i>Assurance Engagements</i>
<i>Responsibility for the Nature, Timing and Extent of Procedures</i>	Responsibility of the engaging party to acknowledge that the agreed-upon procedures are appropriate for the purpose of the engagement.	Responsibility of the practitioner to design and perform procedures for the purpose of obtaining sufficient appropriate evidence.
<i>Extent of Professional Judgment in Selecting and Performing Procedures</i>	Professional judgment may be exercised in assisting the engaging party to identify procedures when agreeing the terms of the engagement. However, the performance of the agreed-upon procedures require no professional judgment.	Professional judgment exercised in selecting and performing the procedures.
<i>Appropriateness of the Procedures / Evidence</i>	Engaging party acknowledges that the procedures are appropriate for the purpose of the engagement. The engaging party and other intended users assess for themselves the agreed-upon procedures and draw their own conclusions from the work performed by the practitioner.	The practitioner assesses the sufficiency and appropriateness of the evidence obtained to reduce to an acceptable level as a basis for expressing an opinion or a conclusion.
<i>Reporting</i>	Factual results of the procedures performed	Opinion or conclusion that provides assurance

<sup>5</sup> For example, an engagement performed under ISAE 3000 (Revised)

**Draft IAASB June 2019 Meeting Minutes on Agreed-Upon Procedures Engagements – Proposed ISRS 4400 (Revised)**

Note: The draft minutes are subject to final review procedures

Mr. Turner, Chair of the Agreed-Upon Procedures (AUP) Task Force, provided an overview of the responses to Exposure Draft ISRS 4400 (Revised) (ED-4400). The following sets out key views expressed by the Board.

PROFESSIONAL JUDGMENT

Due to the nature of an AUP engagement, the Board agreed that when performing or executing the actual procedures, the practitioner does not exercise professional judgment as defined. Nonetheless, the Board emphasized that the practitioner still applies relevant training, knowledge and experience throughout the engagement.

The Board cautioned against introducing extensive introductory paragraphs to explain the differences between AUP engagements and assurance engagements. Concerns were expressed that such introductory paragraphs may create confusion for practitioners who do not necessarily perform assurance engagements.

INDEPENDENCE

Subject to local laws, regulations or ethical requirements that may be more restrictive, the Board agreed to not include a precondition for the practitioner to be independent when performing AUP engagements. The Board also agreed to not require the practitioner to determine independence, taking into account that there is not a recognized framework to measure independence in the context of ISRS engagements. In reaching its decisions:

- The Board discussed different alternatives for disclosures about independence in the AUP report. While Board views were mixed, the balance of views supported simplified or limited disclosures where the practitioner is not required to be independent and has therefore not made an evaluation of independence. Under these circumstances, the same disclosures would apply irrespective of whether the practitioner knows or does not know whether the practitioner is independent.
- The Board supported the proposal to explore how transparency regarding the practitioner's objectivity could be enhanced in the AUP report. The Board noted that enhanced transparency on objectivity may help mitigate the 'expectations gap' resulting from intended users expecting the practitioner to be independent.

FINDINGS

The Board agreed with the Task Force's proposal to retain the use of the term '*findings*' and to require an explanation of this term in the engagement letter and the AUP report.

#### ENGAGEMENT ACCEPTANCE AND CONTINUANCE

The Board agreed that the engagement acceptance and continuance conditions should include consideration of how the concept of '*rational purpose*' included in ISAE 3000<sup>6</sup> might be adapted for AUP engagements. This concept includes considerations such as whether the procedures are 'neutral' – i.e., the procedures selected are free from bias and does not affect the intended users' decisions.

On emphasizing the iterative process of agreeing and performing the procedures, a member suggested that the practitioner should be required to obtain the engaging party's acknowledgement that the procedures to be performed are appropriate prior to the completion of the engagement.

#### PRACTITIONER'S EXPERT

The Board agreed with the Task Force's proposal on neither requiring nor prohibiting a reference to the use of the practitioner's expert in the AUP report.

#### AUP REPORT

The Board supported the proposal to not require the practitioner to include a '*restriction of use*' paragraph in the AUP report. However, a few members suggested that the Task Force should consider including guidance on when the practitioner may wish to restrict the AUP report (for example, if the AUP report contains confidential information or if there is an elevated risk of users misinterpreting the findings).

#### OTHER MATTERS

Although the Board supported the proposal to require the practitioner to consider whether written representations should be requested, the Board disagreed with the suggestion to include application material to explain that '*written representations are not generally required*' in AUP engagements, noting that this may appear to contradict the requirement.

The Board supported the proposal to enhance the linkages to the practitioner's responsibilities pertaining to fraud and non-compliance as set out in relevant ethical requirements. One member suggested that the standard should specifically require the practitioner to respond to fraud or non-compliance with laws or regulations during the AUP engagement.

#### EFFECTIVE DATE

The Board expressed mixed views in discussing the merits of basing the effective date on either the AUP report date or the date when the engagement was agreed to. If based on the latter, some Board members expressed concern that there may be a significant delay in implementing the new standard when the terms of an existing engagement cover multiple periods. Accordingly, in further considering the basis of the

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<sup>6</sup> International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

effective date, the Board agreed that the application material should provide guidance on transitional requirements to avoid an unreasonable delay in implementing the standard.

#### IAASB CAG CHAIR'S REMARKS

Mr. Dalkin noted his continuing support for the project and the proposals by the Task Force. In relation to independence, Mr. Dalkin noted the importance of independence from a public sector perspective, and accordingly, he supported independence disclosures in the AUP report.

#### PIOB OBSERVER REMARKS

Prof. Van Hulle noted that it is reasonable to conclude that some form of 'judgment' would be exercised during an AUP engagement. Therefore, if the IAASB retained the view that no professional judgment is exercised during the performance of agreed upon procedures, the standard should explain what this means.

On the issue of independence, Prof. Van Hulle emphasized the importance of independence disclosures in the AUP report from a transparency and public interest perspective.