

Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards

(a) The Role of Professional Judgment and Professional Skepticism in an AUP Engagement:

Q1.

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?

Agree with the working group's view about the role of professional judgement in an AUP engagement but use of professional judgement plays a limited role in an AUP engagement. For instance when deciding the nature, timing and extent of the specific procedures professional judgment may be involved. Professional skepticism may not be necessary for the critical assessment of evidence. So, in line with the working group's view, exercise of professional judgement is never suspended in AUP engagements while it's limited in the context of professional competence and due care, including professional judgment in an AUP engagement defeats the purpose of providing a factual finding report vs expressing an opinion.

Q2.

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

As an AUP engagement is for the purpose of reporting factual findings, by incorporating professional judgement and skepticism, the resulting report is moving more towards an assurance engagement and overriding benefits of an AUP.

(b) The 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?

Consistent with the IESBA Code, ISRS 4400 states that independence is not a requirement for AUP engagements but if we are to incorporate the element of professional judgment into the standard, practitioner is obliged to maintain independence which goes beyond the objective. Therefore independence is unnecessary in an AUP engagement if the AUP report is restricted to specific users and in a situation where minimal professional judgment is involved. Therefore the existing approach of requiring a statement as to the practitioner is not independent in the report of factual findings would be appropriate.

c) Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report:

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?

It's an important initiative to;

- avoid unclear or misleading terminology
- make sure that required terms with reference to the law or regulation no longer unclear or misleading the engaging party and
- incorporate a guidance on unclear or misleading terminology and terminology that is often used appropriately practice to the standard

This view doesn't change irrespective of AUP report is restricted to specific users or not since the purpose is to achieve more accurate and clear picture through the terms used in describing AUP and report on factual findings.

(d) 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?

Existing ISRS 4400 also provided that the practitioner has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base findings with respect to the engagements regarding non-financial information. Further strengthening this provision in the standard, incorporate preconditions to accept and AUP engagement on non-financial information will be an effective strategy to mitigate the risk that the practitioner not having the required competence to perform certain non-financial information related engagements.

Q6.

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

In certain non-financial information related engagements, using an expert is required and that has to be agreed with the engaging party in the identification of the work scope.

(e) Using the Work of an Expert

Q7.

Do you agree with the Working Group's views that ISRS 4400 should be enhanced for the use of experts in AUP engagements? Why or why not?

In an AUP engagement, practitioner agrees to perform specified procedures with the engaging party provided that required technical competence can be sourced in the performance of the engagement (by way of internal resources or using the work of an expert). It's recommended to communicate with the engaging party that need of an expert work for certain procedures in the engagement but the responsibility of work perform by an expert is not in the hand of practitioner since those procedures have been already agreed with the engaging party. Therefore proposed enhancement of the standard should not bring an additional liability to the practitioner in hands of work performed by an expert in an AUP engagement.

(f) Format of the AUP Report

Q8.

What are your views regarding the Working Group’s suggestions for improvements to the illustrative AUP report?

While agreeing with the Working Group’s suggestions for improvements to the illustrative AUP report, following depicts demonstrative procedures and corresponding findings together in a tabular format for better communication.

Agreed Upon Procedure	Description on Finding
Inspect the shipment dates for a sample (agreed-upon) of specified shipping documents, and determine whether any such dates were subsequent to December 31, 20XX.	No shipment dates shown on the sample of shipping documents were subsequent to December 31, 20XX.
Calculate the rate of return on a specified investment (according to an agreed-upon formula) and verify that the resultant percentage agrees to the percentage in an identified schedule.	No exceptions were found as a result of applying the procedure.
Trace all outstanding cheques appearing on a bank reconciliation as of a certain date to cheques cleared in the bank statement of the subsequent month.	All outstanding cheques appearing on the bank reconciliation were cleared in the subsequent month's bank statement except for the following: [List all exceptions.]
Compare the amounts of the invoices included in the "over ninety days" column shown in an identified schedule of aged accounts receivable of a specific customer as of a certain date to the amount and invoice date shown on the outstanding invoice and determine whether or not the invoice dates precede the date indicated on the schedule by more than ninety days.	All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over ninety days" column, and the dates shown on such invoices preceded the date indicated on the schedule by more than ninety days.

(g) AUP Report Restrictions

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?

Partially agreeing with the Working Group's view that AUP report may be used by a third party who's not signatory to the engagement letter. AUP report can be opened up to the extent that there are evidence to show (by the practitioner) that user have the understanding on; terms of the engagement, reasons for procedures, agreed upon procedures and accurate interpretation on the results. Therefore the third party user having adequate understanding over the entire AUP and the conditions of the engagement should not be an assumption unless confirm in writing.

(h) AUP Report Restrictions - Three Possible Approaches to Restricting the AUP Report:

Q10.

Which of the following three approaches; the most appropriate (and which ones are not appropriate)? Please explain.

- a) The first approach would be to require the practitioner to agree with the entity:
 - The specified parties who will receive the AUP report; and
 - That the entity will restrict the distribution of the AUP report to those specified parties.
- b) The second approach would neither require nor preclude the practitioner from including restrictions on the AUP report. Restriction on the AUP report, if any, would be dealt with by voluntary agreement between the entity and the practitioner as opposed to being mandated in the standard.
- c) The third approach would require 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. This would be subject to law or regulation of the relevant jurisdiction. The approach is similar to how ISA 800 (Revised) that the financial statements are prepared in accordance with a special purpose framework. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the AUP report.

Agree with the Working Group's view of third approach as it mitigating the risk of those who have not agreed to the procedures from misinterpreting the AUP report and allowing more flexibility to meet legal or regulatory requirements for the AUP report.

Q11.

Are there any other approaches should consider?

It's recommended to consider the most appropriate approach set out in 44 c) paragraph without deviating to any other approach.

(i) Recommendations Made in Conjunction with AUP Engagements

Q12.

Do you agree with the view that recommendations should be clearly distinguished from the procedures and factual findings? Why or why not?

Agree with the Working Group's view that if there any recommendations, those should be clearly distinguished from the procedures and factual findings. The reason for that is recommendations are mostly a by-product of an AUP engagement.

(j) Other Issues relating to ISRS 4400:

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.

ISRS 4400 can be further improved via incorporating more application guidance to the practitioners for AUP engagements on non-financial information.

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?

Multi-scope engagements are not encouraged as it could leads to an absolute confusion to the users at this stage.

Q15.

Do you agree with the view that it should address issues within AUP engagements before it addresses multi-scope engagements?

It should address the issues within AUP engagements prior to other developments such as framework for multi-scope engagements.