

**Meeting:** IAASB Consultative Advisory Group (CAG)  
**Meeting Location:** New York, United States of America  
**Meeting Dates:** March 5–6, 2019

## Agenda Item J

### ISRS 4400 (Revised), *Agreed-Upon Procedures* – Report Back

#### Objective of Agenda Item

1. The objective of this agenda item is to report back on the CAG representatives' comments on Agreed-Upon Procedures (AUP) made at the September 2018 meeting.

#### Project Status – What Have We Done Since We Last Met?

2. In September 2018 the IAASB approved for public exposure the Exposure Draft of International Standard on Related Services (ISRS) 4400 (Revised), *Agreed Upon Procedures Engagements* (ED–4400). ED–4400 can be viewed on the [IAASB's website](http://www.iaasb.org).
3. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

#### Feedback - What Did We Hear Last Time We Met?

4. Extracts from the draft September 2018 IAASB CAG meeting minutes, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below.

| Representatives' Comments   | Task Force/IAASB Response |
|---|---------------------------|
| GENERAL   |                           |
| <p>Messrs. Dalkin, Hansen and Fortin supported the changes proposed to ISRS 4400 and. Mr. Hansen supported the project to revise ISRS 4400 generally as AUP engagements are widely used by governmental institutions in the United States.</p> <p>Mr. Fortin agreed and added that AUP engagements are a critical instrument for the World Bank.</p> <p>Ms. Borgerth noted that AUP engagements are widely used in Brazil. Mr. Fortin supported including a requirement and application material with respect to the use of professional judgement.</p> | Support noted.            |

| Representatives' Comments   | Task Force/IAASB Response  |
|---|--|
| Mr. Hansen asked what the Board's views were on including the use of an expert in the standard.   | <p>Mr. Salole noted that the Board was of the view that an expert is often used in areas where judgement is needed, noting that further consideration would be given to whether proposed ISRS 4400 (Revised) should explain that an expert can only be used to obtain factual results.</p> <p>The Exposure Draft includes a requirement and application material on the use of a practitioner's expert. The application material explains that a practitioner's expert may assist the practitioner by applying the expert's competence and capabilities, and provides examples of how the expert can do so in the context of an AUP engagement. [Para. 28, A35-A36 of the ED].</p> |
| Mr. Fortin noted that the illustrations of AUP reports describe straightforward examples and suggested to add an example that is more contentious.  | <p>Point accepted.</p> <p>The Exposure Draft includes two illustrative AUP reports – one that is straight forward and one that reflects the more contentious issues. [Appendix 2 – Illustrations 1 and 2 of the ED].</p>   |
| Mr. Bradbury questioned why the effective date will be approximately 18–24 months after the final standard is issued.   | <p>Point noted.</p> <p>Mr. Salole explained that this timeframe is ordinarily used for new and revised standards which allows time for firms to update methodologies, for the development and delivery of training, and for translation. The Task Force had the view that there was no reason to deviate from this timeframe. [See question 10 of the ED].</p>   |
| Mr. Dalkin noted that the proposals with respect to independence are different from similar standards used in the United States and questioned whether the Task Force considered harmonizing the standards. | <p>Point noted.</p> <p>Mr. Salole explained that the Task Force has members from different jurisdictions, including the United States, and that there were different views on this topic. Some are of the view that the practitioner should be independent while others are of the view that it is not always necessary and may limit the use of this standard. The Task Force on balance concluded that the practitioner should not be required to be independent. He also noted that the Task Force plans to include a question in the</p>   |

| Representatives' Comments  | Task Force/IAASB Response   |
|--|---|
|  | <p>explanatory memorandum to obtain views on this matter.</p> <p>To enhance transparency, the Exposure Draft includes requirements and application material on disclosures relating to whether the practitioner is required to be independent, and whether the practitioner is, in fact, independent. The explanatory memorandum includes a question to obtain stakeholders' views on this matter. [Para. 17, 30(f)-(g), A12-A13, A40-A42 of the ED].</p> |
| <p>Messrs. Hansen and Fortin were of the view that the practitioner should be independent when performing an AUP engagement. Mr. Hansen noted that some practitioners prepare the subject information on which they perform an AUP engagement. Ms. Soulier noted that the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (IESBA Code) requires independence for audit and other assurance engagements and objectivity for AUP engagements. She noted that requiring independence in an AUP engagement would require including a separate standard on independence for AUP engagements in the IESBA Code and questioned whether such a standard should be developed. Ms. Robert did not support the development of such a standard. Ms. Soulier also noted that in some cases objectivity may be sufficient, while in other cases the engaging party can request the practitioner to be independent. Mr. Fortin noted that some stakeholders may have the perception that the practitioner is always independent when performing an AUP engagement and that including a statement on independence limits the expectation gap.</p> | <p>Point noted.</p> <p>Mr. Salole explained that proposed ISRS 4400 (Revised) requires the practitioner to comply with relevant ethical requirements.</p> <p>Also, see above comments on how the Task Force addressed independence in the Exposure Draft.</p>   |
| <p>Ms. McGeachy asked whether practitioners, when they are not independent, are allowed to clarify why they are not independent in the AUP report. Ms. Wei agreed that practitioners should explain why they are not independent.</p>  | <p>Point noted.</p> <p>The Exposure Draft includes application material that highlights that the practitioner may wish to include explanations on why the practitioner is not independent. [Para. A42 of the ED].</p>   |

| Representatives' Comments  | Task Force/IAASB Response   |
|--|---|
| PIOB REMARKS   |   |
| Ms. Diplock noted that the PIOB supported the project to revise ISRS 4400 from the start and was of the view that the CAG had a robust discussion. She supported the reference to fraud and an entity's non-compliance with laws and regulations in paragraph 7. Ms. Diplock questioned whether the practitioner's independence should be dependent on the nature of the engagement. | Support noted.<br><br>The Task Force will continue to assess the independence issue pending stakeholders' comments on the Exposure Draft.<br><br>Also, see above comments on how the Task Force addressed independence in the Exposure Draft. |

## Appendix 1

### Project Details and History

#### Project: ISRS 4400 (Revised)

Link to IAASB Project Page: [Agreed-Upon Procedures](#)

#### Task Force Members

The IAASB's ISRS 4400 (Revised) Task Force comprises of:

- Eric Turner, IAASB Member and Task Force Chair
- Isabelle Tracq-Sengeissen, IAASB Member
- Roger Simnett, IAASB Member
- Vivienne Bauer, IAASB Technical Advisor

#### Summary

|                            | IAASB CAG Meeting            | IAASB Meeting  |
|----------------------------|------------------------------|--|
| Information Gathering      | September 2015<br>March 2016 | March 2015<br>June 2015<br>March 2016<br>June 2016<br>September 2016 |
| Project Proposal           | September 2017               | September 2017   |
| Developing Exposure Draft  | September 2018               | March 2018<br>August 2018  |
| Approval of Exposure Draft |                              | September 2018   |

#### IAASB CAG Discussions: Detailed References

|                       |  |
|-----------------------|--|
| Information Gathering | <u>September 2015</u><br>See IAASB CAG meeting material (Agenda Item C) and meeting minutes (Agenda Item A):<br><a href="https://www.iaasb.org/cag/meetings/new-york-usa-0">https://www.iaasb.org/cag/meetings/new-york-usa-0</a><br><u>March 2016</u><br>See IAASB CAG meeting material (Agenda Item K) and meeting minutes (Agenda Item A) |
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|                           | <a href="https://www.iaasb.org/cag/meetings/paris-france">https://www.iaasb.org/cag/meetings/paris-france</a>  |
| Project Proposal          | <u>September 2017</u><br>See IAASB CAG meeting material (Agenda Item F) and meeting minutes (Agenda Item A)<br><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</a>     |
| Developing Exposure Draft | <u>September 2018</u><br>See the IAASB CAG meeting material (Agenda Item H) and meeting minutes (Agenda Item A)<br><a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0">http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</a> |