

# Agreed-Upon Procedures

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IAASB Meeting

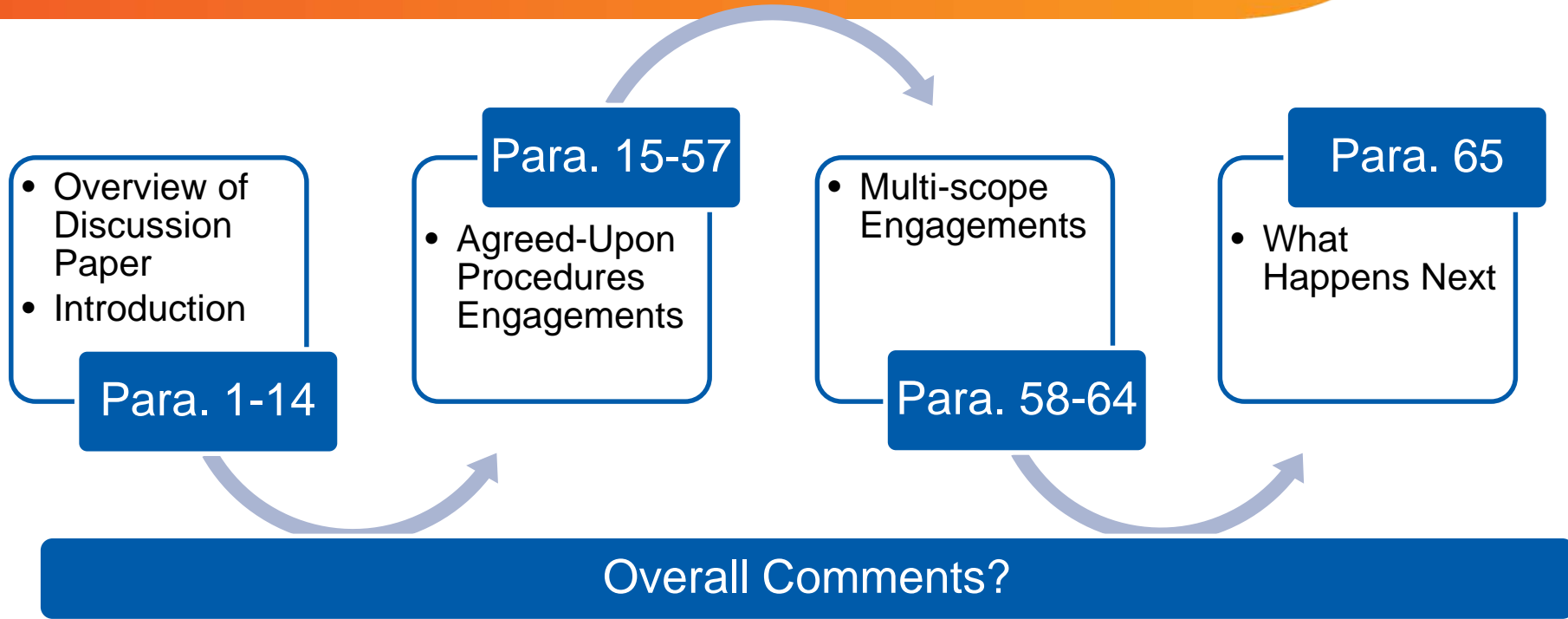
June 23, 2016

Agenda Item 10

# What We Hope to Achieve at This Session

**Obtaining the views of the Board on the content and clarity of the Working Group Discussion Paper, *Exploring the Growing Demand for Agreed-Upon Procedures Engagements and Other Services and Implications for the IAASB's Standards***

# What We Hope to Achieve at This Session



# Overview of Discussion Paper and Introduction

Purposes of Discussion Paper (Para. 1-2)

What are Agreed-Upon Procedures (Page 2)

Introduction (Para. 3-14)

- Who Uses an AUP Report? Why are AUP Engagements Performed and What are their Benefits?
- Why is the IAASB Undertaking Work on AUP Engagements?
- What Has Been Discussed by the IAASB and Its Consultative Advisory Group?

Comments?

# AUP Engagements

## Background and Issues (Para. 15-19)

- The use of professional judgment in an AUP engagement
- Professional skepticism
- The use of ambiguous terminology in describing procedures or findings
- AUP report restrictions
- The format of the AUP report
- Performing AUP engagements on non-financial information
- Using the work of others
- Users who are not parties to the engagement agreement
- Recommendations in conjunction with AUP engagements
- The role of independence in AUP engagements

## Comments?

Do you agree with the issues identified? Are there any other issues that should be explored?

# AUP Engagements

## The use of professional judgment in an AUP engagement (Para. 20-25)

- Professional judgment on decisions about engagement acceptance, planning, parties to the agreement, and documentation
- Professional judgment exercised in the context of professional competence and due care

## Professional skepticism (Para. 26)

- Issue explored as part of the IAASB's Enhancing Audit Quality initiative
- Not seeking input at this time

## Comments?

# AUP Engagements

The use of ambiguous terminology in describing procedures or findings (Para. 27-33)

- Ambiguous terms: Terms given technical meanings in standards that differ from their normal English meaning or are otherwise not sufficiently specific
- Prohibit the use of ambiguous wording unless the wording is required by regulations or contracts

AUP report restrictions (Para. 34-37)

- Restrict the use (but not the distribution) of the AUP report

Comments?

# AUP Engagements

## The format of the AUP report (Para. 38-39)

- Illustrative report that presents:
  - The procedures and corresponding findings in a tabular format; or
  - Each procedure and corresponding finding together.

## Performing AUP engagements on non-financial information (Para. 40-42)

- Broaden scope to include AUP on non-financial information
- Pre-acceptance considerations on practitioner and engagement team competence

## Comments?



# AUP Engagements

## Using the work of others (Para. 43-44)

- When using the work of others, the practitioner should be required to evaluate:
  - The objectivity and technical competence of the other parties; and
  - The procedures performed and factual findings reported by the other parties.

## Users who are not parties to the engagement (Para. 45-49)

- If the Terms of Reference is available – the practitioner should be able to determine that the user has a clear understanding of the AUP engagement even though the user is not a party to the engagement agreement
- In the absence of Terms of Reference – the practitioner may consider obtaining affirmative acknowledgement that the user and other relevant parties agree to the procedures to be performed and take responsibility for the procedures

## Comments?

# AUP Engagements

## Recommendations in conjunction with AUP engagements (Para. 50-51)

- Recommendations in conjunction with an AUP engagement = A multi-scope engagement consisting of an AUP engagement and a separate service
- Communications arising from such additional services should be clearly distinguished from the AUP engagement and report

## The role of independence in AUP engagements (Para. 52-57)

- Require the lack of independence to be disclosed in the AUP report (i.e., current approach under ISRS 4400)

Comments?

# Multi-scope Engagements and Next Steps

## Multi-scope engagements (Para. 58-64)

- Multi-scope engagement – An engagement that comprises of 2 or more separate services within the IAASB pronouncements
- Multi-scope engagements should be separated from the project to revise ISRS 4400 as the scope extends beyond ISRS 4400

## What happens next (Para. 65)

- Project proposal to be developed taking into account input from stakeholders on the Discussion Paper and the IAASB's 2017-2018 Work Plan

## Comments?



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