

Meeting: IAASB
Meeting Location: Paris, France
Meeting Dates: March 8–9, 2016

Agenda Item **K**

Joint Integrated Reporting and Agreed-Up Procedures Session

Objective of Agenda Item

1. The objective of this agenda item is to obtain the Representatives and Observers' views on the questions of mutual interest to the Integrated Reporting (IR) and agreed-upon procedures (AUP) Working Groups (WG).

Project Status and Timeline

2. The project status and timeline of the IRWG and the AUPWG is discussed in **Agenda Item K.1** and **K.2** respectively.

Format of the Session and Papers to Be Referred to During the Discussion

3. In the first part of the session the Representatives and Observers will receive a 10 minute presentation from the IRWG and a 10 minute presentation from the AUPWG during which both working groups will provide the Consultative Advisory Group (CAG) with an update on the working group's activities since the September 2015 CAG meeting.
4. The second part of the session will consist of a break out session to provide the Representatives with an opportunity to discuss matters that are of common interest to both the IRWG and AUPWG. The topics to be discussed are described in the section below headed Matters for CAG Consideration.
5. The CAG Representatives and Observers will be divided into three groups for the breakout session. Each group's discussion will be facilitated by IAASB Staff and one of the Chairs or Members of the IRWG or AUPWG, with the objective of obtaining CAG feedback on the topics as presented in the section 'Matters for CAG Consideration'. CAG members are also encouraged to provide any other comments they may have on the IR and AUP project.

Matters for CAG Consideration

6. A central theme in the break-out session is whether the current set of IAASB International Standards are "fit for purpose" to enhance credibility and trust in emerging forms of external reporting and AUP more broadly or whether, in the public interest, there is a need for further innovation or implementation support.

The Broader Context of Credibility and Trust

7. Insight in the factors that influence credibility of information and the trust users have in that information is relevant to the different types of engagements covered by the IAASB International Standards. The intention is to focus this discussion on new emerging forms of external reporting (EER). This covers information on the goals of the entity, its business model, strategy and governance processes, the risks and opportunities faced by those charged with governance and how they manage and respond to them as well as their performance, position and future prospects. This information can be incorporated into the traditional annual report or published as supplemental reports. A sound reporting framework, strong governance, and some form of ‘external assurance’¹ via professional services along with the user’s evaluation of consistency with wider information are factors that influence credibility and trust. A discussion of these factors is included in Section III of **Agenda Item K.1.1**.

Matters for CAG Consideration

Representatives and Observers are asked to provide their views on the following:

1. *Broader context of credibility and trust*: Is discussing professional services in the broader context of factors that influence credibility and trust helpful? Would there be any other factors that need to be considered? (Section III **Agenda Item K.1.1**)

Professional Services to Engagements to Enhance Credibility and Trust in EER and Challenges in an Emerging Area

8. In enhancing credibility and trust there may be a need for different types of professional services wider than currently covered by the IAASB International Standards. The need may differ depending on the maturity of the entity with regard to its external reporting.
9. The usefulness of the engagements currently covered by the IAASB International Standards is, as a first step, explored in the context of EER. Table 1 of section III of **Agenda Item K.1.1** provides an overview of the key characteristics of these engagements followed by a more detailed description. For example, AUP may be seen as useful in the context of using the work of an internal audit department as part of an assurance engagement, whether outsourced or not.
10. In addition, the IRWG explored what other types of professional services are currently performed in the context of EER taking into account that it is an emerging area where, potentially, innovation is needed. Paragraph 50 to 60 of **Agenda Item K.1.1** include such an overview. These professional services are performed by professional accountants or other professionals.
11. In practice assurance engagements are most often performed. The nature and maturity of both the reporting frameworks and the governance around the reporting process poses challenges to the assurance engagements performed in the EER environment. Table 2 in Section IV of **Agenda Item K.1.1** provides an overview of these challenges identified to date.

¹ From information-gathering activities it appears that users of information use the term ‘external assurance’ in a broader context than just assurance engagements as addressed by the IAASB International Standards

Matters for CAG Consideration

Representatives and Observers are asked to provide their views on the following:

2. *Professional services* (Section III **Agenda Item K.1.1**):
 - a. What type of professional services are relevant in strengthening credibility and trust in EER?
 - b. In what areas would it be useful to use AUP in an External Reporting engagement?
 - c. Are there in your view any other types of professional services that are missing?
 - d. Is innovation in professional services sufficiently addressed?
3. *Assurance Issues* (Section IV **Agenda Item K.1.1**): The overview provides an insight in challenges in assurance engagements that emerge due to EER Reporting Frameworks, the maturity of governance and reporting processes. Are these assurance issues the most relevant ones? Are there any relevant assurance issues missing?

Multi-Scope Engagements and Communication on AUP

12. The AUPWG has explored evolving types of engagements that use a combination of procedures derived from review, compilation and agreed-upon procedures engagements (previously referred to as “hybrid engagements”) to consider whether standard-setting or other activities may be appropriate, in light of the existing standards that may be applicable to these services in the IAASB’s current suite of standards.
13. The results of the AUPWG’s information-gathering activities suggested that most engagements that use a combination of procedures derived from review, compilation and agreed-upon procedures engagements are in fact “multi-scope” engagements.
14. A multi-scope engagement is an engagement in which the practitioner is engaged to perform two or more distinct and complete engagements on the same or related subject matter information. However, discussions during outreach sessions also indicated that what constitutes a multi-scope engagements and how such engagements are performed are often not immediately apparent. An issue that requires further exploration is the need how to most effectively communicate on a multi-scope engagement. For example, if the multi-scope engagement is an AUP engagement in conjunction with a financial statement audit, the question arises whether there is value to have the outcome of the AUP engagement and the financial statement audit communicated into one report.
15. Under the current IAASB International Standards this would not be allowed, since ISRS 4400² requires that the practitioner’s report includes a statement that the report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.³
16. Whether an AUP engagement is performed as a multi-scope or stand-alone engagement, there is ambiguity whether the restriction applies to *use* or *distribution* of the report as paragraph 12 of ISRS 4400 suggests that the engagement letter includes a statement that the *distribution* of the report of

² International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

³ ISRS 4400, paragraph 6

factual findings would be restricted to the specified parties who have agreed to the procedures to be performed.

17. The outreach performed by the AUPWG highlighted that a number of stakeholders, including NSS and professional accounting bodies as well as regulators and other users, have indicated that restrictions on distribution of the report is problematic as the AUP report may be required to be provided to other parties (or posted online) either by law or regulation, or by contractual agreement. The AUPWG also noted that standards in various jurisdictions take different approaches regarding the restriction of the AUP report. For example, Australia's Standard on Related Services 4400 prohibits the practitioner from accepting an AUP engagement if the distribution of the AUP report cannot be restricted to the engaging party and any intended users identified. On the other hand, the American Institute of Certified Public Accountants' AUP standard restricts the use, but not the distribution, of the AUP report.
18. In its future work, the AUPWG will consider whether a restriction on use and distribution of the AUP report should be retained or whether changes to the standard are needed to allow the report to be made available to a wider range of entities or people.

Matters for CAG Consideration

Representatives and Observers are asked to provide their views on the following aspects of multi-scope engagements and communication on AUP engagements in general:

4. *Multi-Scope Engagements:*
 - a. Is there value to having the reporting on a multi-scope engagements merged into one report or is it preferred to include it in separate reports?
 - b. What are the challenges and advantages of having multiple topics in one report?
5. *Restriction on the Use and Distribution of an AUP report:*
 - a. Should the restriction on the use and distribution of the AUP report be lifted and what is the rationale for doing, or not doing so?

Materials Presented – IAASB CAG PAPERS

Agenda Item K.1	Cover Integrated Reporting Working Group activities
Agenda Item K.1.1	Discussion Paper Integrated Reporting Working Group
Agenda Item K.2	Cover Agreed-Upon Procedures Working Group activities
Agenda Item K.2.1	Presentation - Agreed-Upon Procedures Working Group

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Agreed-Upon Procedures – Issues

[Insert link once IAASB papers posted](#)