

Meeting: IAASB
Meeting Location: New York, USA
Meeting Dates: June 21–24, 2016

Agenda Item 10

Agreed-Upon Procedures

Objective of Agenda Item

1. The objective of this agenda item is to obtain the views of the Board on the draft Discussion Paper *Exploring the Growing Demand for Agreed-Upon Procedures Engagements and Other Services and Implications for the IAASB's Standards* (see **Agenda Item 10-A**).

Agreed-Upon Procedures Working Group

2. The Agreed-Upon Procedures Working Group (the 'Working Group') is comprised of the following members:
 - Ron Salole, IAASB Member and Chair of the Working Group;
 - Katharine Bagshaw, International Federation of Accountants' (IFAC) Small and Medium Practices Committee (SMPC) representative;
 - Nicki Bester, IAASB Technical Advisor;
 - Ahava Goldman, IAASB Technical Advisor;
 - Richard Mifsud, IAASB Technical Advisor; and
 - Isabelle Tracq-Sengeissen, Compagnie Nationale des Commissaires aux Comptes representative and former IAASB Technical Advisor.

Activities since March 2016 IAASB Meeting

3. Since the March 2016 Board meeting, the Working Group met twice by teleconference and once physically to develop the material contained in these agenda papers. The Working Group also engaged in outreach with the SMPC's Rapid Response Task Force and with representatives of the Canadian Auditing and Assurance Standards Board.

Matters for IAASB Consideration

1. The Working Group would appreciate the view of the Board on **Agenda Item 10-A**. In particular, we would like to obtain the Board's views on:

Content

- (a) *Agreed-Upon Procedures Engagements*: Are the issues set out in this Section the most relevant ones? Are there any other relevant issues missing? (Section II of **Agenda Item 10-A**).
- (b) *Multi-scope Engagements*: Is a discussion on multi-scope engagements helpful (even though such engagements will be addressed outside of the ISRS 4400¹ revision project)? (Section III of **Agenda Item 10-A**).

Clarity

- (c) Whether the draft Discussion Paper is sufficiently clear and understandable;
 - (d) Whether the flow of the draft Discussion Paper is well-structured; and
 - (e) Whether the questions are appropriate to solicit input from a broad range of stakeholders.
2. The Board is also asked to comment on any other matters that should be highlighted in the Discussion Paper.

Material Presented

Agenda Item 10-A Working Group Draft Discussion Paper: *Exploring the Growing Demand for Agreed-Upon Procedures Engagements and Other Services and Implications for the IAASB's Standards*

¹ International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

Minutes – IAASB March 2016 Meeting

Mr. Salole introduced the topic and provided the IAASB with an update on the Working Group's efforts to date, including a summary of the comments received by the IAASB Consultative Advisory Group (CAG), messages from the outreach activities to date, issues identified and the proposed way forward.

Mr. Salole explained that the Working Group performed significant outreach activities to more fully understand how AUP engagements are being conducted in practice, and where practitioners are departing from ISRS 4400 and why. He noted that this outreach indicated that there is no consensus over what constitutes a "hybrid" engagement and that many engagements are actually multi-scope engagements (i.e., engagements which consist of clearly distinguished AUP and other engagements).

Board members variously noted the following:

- The Board acknowledged that there is a market need for the AUP engagements but that education and raising awareness is necessary, as there is confusion in the marketplace about the value an AUP engagement. The Board suggested the Working Group to consider how this confusion might be addressed in the planned discussion paper. For example, highlighting the need for use of non-ambiguous terminology in a report of factual findings and stating more clearly in the report of factual finding that no assurance is provided might be helpful steps to clarify the nature and purpose of an AUP engagement for users.
- The Board supported the Working Group preliminary view that the scope of ISRS 4400 should be expanded to non-financial information.
- The Board questioned whether an AUP engagement can be performed in practice without the use of judgment. The Board discussed that the auditor could apply some degree of judgment, for example by advising on the design of the specific procedures to be performed as this could add value to the users of the report. However, the Board was generally of the view that no judgment should be applied and that no assurance terminology should be used in the report of factual findings to prevent any confusion by users as to the nature of an AUP engagement.
- There were mixed views whether the restriction on the use of a report of factual findings should be lifted, noting different national approaches had evolved since the development of ISRS 4400. The Working Group was asked to further explore this issue and allow for flexibility given jurisdiction-specific laws and regulations that may exist.
- In addition to the issues identified, the Board asked the Working Group to reconsider whether the practitioner who performs the AUP engagement should be independent as this issue was not addressed in the Issues Paper.
- The Board was generally supportive of the way forward but noted that, given the need to provide stakeholders sufficient time to discuss and respond to the Discussion Paper and consider the Board's resources and priorities on an overall basis, it is more likely that the project proposal will not be tabled for consideration until at least the first half of 2017.
- Multi-scope engagements should not be included in the scope of a project to revise ISRS 4400, as some multi-scope engagements might not include an AUP engagement. The Board asked the

Working Group to consider how multi-scope engagements could best be addressed; whether through a new separate (overarching) standard or a non-authoritative publication. The Board also asked the Working Group to liaise with the Intergrated Reporting Working Group given possible similarities between the projects, given the use of non-financial information in Integrated Reporting.

IAASB CAG CHAIRMAN'S REMARKS

Mr. Waldron agreed with Mr. Salole's summary of the comments received from IAASB CAG Representatives and Observers, noting that the use of break-out sessions at the CAG is particularly helpful for projects at early stages as it provides the opportunity to have conversations about topics that aren't restricted to an individual question.

WAY FORWARD

The Working Group will present a draft of the discussion paper for the Board's consideration at its June 2016 meeting.