

# Supplement G to Agenda Item 5

## RESPONSES RECEIVED ON THE DISCUSSION PAPER

### EXPLORING THE DEMAND FOR AGREED-UPON PROCEDURES ENGAGEMENTS AND OTHER SERVICES, AND THE IMPLICATIONS FOR THE IAASB'S INTERNATIONAL STANDARDS

#### COMMENTS TO QUESTION 6

**Note:** This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the November 2016 Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards* and related analyses of significant issues are presented at the [September 2017 IAASB meeting](#). All comment letters on the Discussion Paper can be accessed [here](#).

**Q6.** Are there any other matters that should be considered if the scope is clarified to include non-financial information?

#	Respondent	Comments
<b>Those Charged with Governance</b>		
1.	IIA SA	None presently.
<b>Regulators and Oversight Authorities</b>		
2.	EUROPEAN COMMISSION	Yes, professional competence should be defined more appropriately.
3.	IRBA	6.1 Consequential changes to the auditor's report template should be considered. 6.2 We recommend that with regard to engagements in respect of specialised areas, the AUP report be enhanced to include a statement detailing why the practitioner felt that he/she possessed the necessary competence and skills to perform the engagement.
<b>National Auditing Standard Setters</b>		
4.	AASB-CNAC	We did not identify any other matters at this time

5.	AUASB	The Australian Standard on Related Services, ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings is not limited to “financial information”. This standard includes requirements for the assurance practitioner to only accept the engagement if those persons who are to perform the engagement collectively have the capabilities and competence to perform the procedures; and to satisfy themselves that the engagement team and any experts collectively have competence, capabilities and resources to perform the agreed-upon procedures.
6.	CNCC-CSOEC	This question is to be linked with question 7.
7.	FAP	NO RESPONSE
8.	HKICPA	It is often that grantors would like practitioners to check on operational matters such as compliance with procurement or employment procedures. Hence, there should be some criteria established/recommended by the grantor or internal control manual against which the practitioner can perform the checking. The practitioner should not undertake the engagement if the scope of work is ambiguous such as checking if the grantee has complied with the terms of the agreement or if the grants have been used accordingly to the agreement or the purpose of the grant.
9.	IDW	We disagree with the current requirement in ISRS 4400 on the need for “reasonable criteria” on which to base the findings because no criteria in the sense of ISAE 3000 are needed for the determination of facts. Rather, the engagement terms need to include an agreement that specifies the nature, timing and extent of the procedures in sufficient detail so that there is no need for the practitioner to apply “criteria” (i.e., any implicit but very specific “benchmarks” for performing the procedures would be embedded in the description of how the procedures are to be performed).
10.	JICPA	Where non-financial information is to be included in the scope of AUP engagement pursuant to the ISRS4400, since non-financial information unlike financial information is not necessarily quantifiable or visible, in our view, it should be stipulated in the application guidance to the effect that the provision of the non-financial information may be required in a quantifiable or visible manner in performing the engagement (specially at the phase of planning and implementation of the procedures) in order to produce an objective and appropriate AUP report.  Separately, concerning the description “provided ... reasonable criteria exist on which to base findings” in the section 30 of the DP, the said “criteria” supposedly indicate such criteria as to measure and evaluate the central subject. However, given the fact that the practitioner is not required to provide a conclusion but is required to provide a report on factual findings in the AUP engagement, such practitioner should not be sought to make judgment based on the criteria. Because the term “criteria” is associated with assurance engagement, we are of the view that the term “criteria” should not be used when investigating the standards for AUP engagement in light of the nature of engagement in which the practitioner does not provide a conclusion or assurance.
11.	MAASB	The AASB is of the view that guidance on how procedures and findings can be sufficiently precise and result in objectively verifiable findings would be helpful. An illustrative example of an AUP engagement where the subject matter is non-financial information would be beneficial to assist in the development of wording for AUP and factual findings in an AUP report.
12.	NBA	The Standard is appropriate as a framework for both financial as well as non-financial information. The Working Group recognized the subject matter of ‘using the work of an expert’ (see Q7). Maybe some examples of subject matters can be added like Appendix A of the discussion paper. We don’t believe that there are other matters to be considered.

13.	NZAuASB	Other matters that may need to be considered if the scope is clarified to include non-financial information include the potential for overlap with other types of engagement over non-financial information that are already well established and well recognised. The practitioner would need to consider not only whether an AUP engagement is appropriate compared with other engagements performed in accordance with international standards set by the IAASB, but more broadly, whether another type of engagement over non-financial information may be more appropriate than an AUP engagement.
<b>Accounting Firms</b>		
14.	BDO	We did not identify additional matters to be considered.
15.	CHI	More generally, as noted in paragraph 29, reporting (in the broadest sense) on non-financial information is an increasing activity. It is impossible to specify all situations that might be required now, or in the future, but as with IAASB's consultation on EER, IAASB has the opportunity to set the standard for reporting (in the broadest sense) on non-financial information. IAASB may wish to discuss assurance / reporting / AUP on non-financial information further with its stakeholders.
16.	DTTL	Additional issues to consider if the scope is clarified to include non-financial information: <ol style="list-style-type: none"> <li>1) what the report should state if matters come to the attention of the practitioner that (based on the exercise of the practitioner's professional competence and due care) significantly contradict the subject matter information or make it clear the subject matter information is factually incorrect;</li> <li>2) the practitioner's need to assess the suitability of the AUPs such that they are sufficiently precise and clear so that the findings are nothing more than objectively verifiable findings;</li> <li>3) the applicability of the concept of materiality when it comes to reporting findings with respect to non-financial information, it may not be readily quantifiable, whereas in AUP engagements relating to financial information there often is agreement among the parties that differences/exceptions below a certain amount will not be reported).</li> </ol>
17.	EYG	In our letter to the IAASB's Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting, we expressed our view that the IAASB should consider the role that AUP engagements could have in this space. We believe that an AUP engagement may be an effective alternative to an assurance engagement to address management needs in certain circumstances, particularly for certain types of non-financial information that management may be assembling in its journey toward integrated reporting and while relevant reporting frameworks, and experience in applying them, continue to evolve. We encourage the IAASB to further explore potential uses for AUP in terms of entities' emerging forms of external reporting, which in turn may reveal additional potential enhancements to ISRS 4400 or related supplemental guidance.
18.	GTIL	<i>Combined answer to question 5 and 6</i> <p>In practice, firms already perform AUP engagements on non-financial information using ISRS 4400 as a guide. We are of the view that ISRS 4400 should recognize that fact and could then provide useful guidance for engagements on non-financial information. In some cases, where the subject matter is associated with financial information or is derived primarily from the entity's accounting system, it is only an incremental step from performing an AUP engagement on financial information to performing an AUP engagement on non-financial information. However, AUP engagements may also relate to subject matters requiring specialist skills outside of those typically possessed by a practitioner (recognizing that different practitioners may have different skillsets). Careful consideration should be given</p>

		<p>as to whether it is appropriate for such an AUP engagement to be accepted. This consideration should encompass not only an assessment of the sufficiency of the firm's competence in the subject matter, but also when deploying the engagement team, the sufficiency of the competence of those practitioners or specialists available to form part of the team.</p> <p>We are of the view that requirements developed regarding AUP engagements on non-financial information should be focused on developing criteria that should be applied by firms in determining whether an AUP engagement should be accepted and not on limiting the types of subject matter on which a non-financial information AUP engagement could be performed upon.</p> <p>We would also suggest that the types of procedures that could be performed in an AUP engagement, currently detailed in paragraph 16 of ISRS 4400, also include re-performance as an appropriate type of procedure.</p>
19.	KINGSTON SMITH LLP	Not at this stage, although given this is an evolving area the IAASB should keep this under review.
20.	KPMG	<p><i>Combined answer to question 5, 6 and 7</i></p> <p>Market demand for AUP engagements related to non-financial information is increasing and is, in practice, being met through engagements delivered applying the Standard by analogy.</p> <p>We believe it would be helpful to expand the scope of ISRS 4400 so that it encompasses engagements relating to AUP on non-financial information as it will help practitioners address some of the more challenging aspects of such engagements, such as competencies and capabilities and using the work of an expert when relevant it will also lead to consistency in practice and provide transparency as to the standards actually applied in such engagements.</p> <p>We also recommend for the Standard to include, in addition to the current example report, an example report for an AUP engagement performed on non-financial information.</p>
21.	PKFI	<p>In considering other matters to be considered by the WG, we note the following:</p> <ul style="list-style-type: none"> <li>• Guidance on how to treat evidence that is non-verifiable in relation to the non-financial information or where such information is internally prepared and is considerably subjective.</li> </ul>
22.	PwC	<ul style="list-style-type: none"> <li>• As above, we consider it essential that the Standard addresses the need for the practitioner to consider whether they have the competence to perform the AUPs on non-financial information as this information can sometimes be very technical or industry-specific.</li> <li>• It may also be useful for guidance to emphasize that, in order to accept the AUP engagement, the practitioner needs to determine that the non-financial information is measurable and the procedures to be performed on it are capable of being performed objectively.</li> </ul>
23.	RSM	<p>We welcome the proposal to clarify that the scope of ISRS 4400 includes non-financial information. Practitioners are facing increasing requests to report on non-financial information and therefore an explicit reference to this type of report would be useful.</p> <p>The criteria alluded to in paragraph 30 of the Discussion Paper are directed toward financial information, but we agree that, with appropriate competence of the practitioner in the non-financial subject matter, the principles in ISRS 4400 could well be used by practitioners in performing AUP engagements over non-financial information.</p>

		In terms of other matters, providing a precise description of the particular non-financial information upon which the practitioner is reporting is important and they should be reminded of this (per Q4 above).
<b>Public Sector Organizations</b>		
24.	AUDIT NEW ZEALAND	We have not identified any other matters that should be included if the scope of ISRS 4400 is clarified to include non-financial information.
25.	CIPFA	NO RESPONSE
26.	PAS	None identified
<b>Member Bodies and Other Professional Organizations</b>		
27.	ACCA	ACCA thinks the most important issue to be considered when extending ISRS 4400 to cover non-financial information is the perception of the comfort provided by an AUP engagement. For example, as noted in ACCA's response to the IAASB Discussion paper on Emerging Forms of External Reporting (EER), there is a clear demand for comfort over narrative information beyond ISA 720, but these assurance products are still developing. Extending AUP engagements to include non-financial information should not be perceived as being the answer to this demand for assurance, but may in some instances provide the comfort that users need.
28.	AE	(30) We have not identified any other matters that should be considered if the scope is clarified to include non-financial information.
29.	AICPA	<i>Combined answer to question 5 and 6</i> We support clarifying that the scope of ISRS 4400 may include performing AUP over non-financial information. The information that is the subject matter of the AUP engagement need not be financial information as long as the subject matter is appropriate and the criteria to be applied in the preparation and evaluation of the subject matter are suitable and will be available to the intended users. ISAE 3000 discusses the suitability of criteria. We also support developing requirements relating to competence to undertake any AUP engagement, whether it be on financial information or non-financial information. The SSAEs (AT-C section 105, Concepts Common to All Engagements, par. 32) require the engagement partner to be satisfied that the engagement team, including any practitioner's external specialists, have the appropriate competence, including knowledge of the subject matter, and capabilities to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements, and enable the issuance of a practitioner's report that is appropriate in the circumstances. We believe that this is necessary to achieve the appropriate level of quality in every engagement.
30.	ASSIREVI	It might be necessary to clarify in the standard that the acceptance of an AUP engagement on non-financial information shall require the assessment of reasonable criteria. For this purpose, the future standard should develop appropriate guidance for the identification and assessment of the "reasonable criteria [...] on which to base findings".
31.	CAANZ	Regardless of our views in our response to Question 5, please consider the following matters: <ul style="list-style-type: none"> <li>Given the latest Standard developments, we assume terms used in both ISRS 4400 and other Standards will be reviewed for ambiguity. Similarly, overlapping terms should be used with circumspect if referring to both financial and non-financial information in ISRS 4000. No other Standard yet deals with both, which is perhaps a commentary on Question 5.</li> </ul>

		<ul style="list-style-type: none"> <li>If ISRS 4400 is to include independence requirements (which we do not support): section 290 of the Code relate to financial information and section 291 to non-financial information, though neither relate to non-assurance engagements.</li> <li>If ISRS 4400 is to include the use of an expert (which we also do not support): We noted that paragraphs 32-34 of the discussion paper deal only with experts in the audit of financial information, not when experts are used when dealing with non-financial information. Experts used during an audit or review of financial information are external consultants whose areas of specialisation are outside the fields of accounting and auditing, where experts within these fields form part of the engagement team. In assurance engagements on non-financial information, multi-disciplinary teams are used and the expert can be internal or external. When external, the procedures listed in paragraph 34 are performed and when internal, the experts in the multi-disciplinary engagement team must comply with the firm's policies under ISQC1.</li> </ul>
32.	CAI	We have no additional comments.
33.	CPAA	The Australian standard ASRS 4400 is not limited to financial information and we are not aware of any difficulties being encountered in applying that standard to non-financial information, since it was issued in 2013. As the suite of IAASB standards already covers assurance on non-historical financial information, under ISAE 3000, we identify no need for the IAASB to be constrained to covering only financial information for AUPs.
34.	EFAA	No comment.
35.	FACPCE	From our point of view, the conditions transcribed below, cited in the discussion paper, are sufficient: <ul style="list-style-type: none"> <li>“Have sufficient competence in the subject matter area to accept responsibility for the engagement; and</li> <li>Be satisfied that the engagement team collectively has appropriate competence to perform the engagement.”</li> </ul>
36.	FAR	No.
37.	FSR	We have not identified any other matters that should be considered if the scope is clarified to include non-financial information.
38.	IBR-IRE	We do not see any other matters to raise in this respect.
39.	ICAEW	<p><i>Combined answer to question 5 and 6</i></p> <p>21. We agree that ISRS 4400 should address both financial and non-financial information. This is an area of increasing activity and it would be useful for practitioners to have more guidance here.</p> <p>22. We strongly agree that ISRS 4400 should address the need for practitioners to consider whether they have the competence to perform agreed-upon procedures on non-financial information. This information could be highly technical or industry-specific.</p>
40.	ICAG	No.
41.	ICAS	We have not identified any other matters that should be considered if the scope is clarified to include non-financial information.
42.	ICASL	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.

43.	ICAZ	ISRS 4400 currently provides procedures to be applied in an AUP engagement. It should possibly be considered whether these procedures provided will still be sufficient and appropriate for an AUP engagement for non-financial information, for example AUP engagements on internal controls.
44.	ICPAU	<ul style="list-style-type: none"> <li>• A requirement to comply with the IESBA Code.</li> </ul>
45.	ISCA	NO RESPONSE
46.	KICPA	<p>Developing examples of AUP reports with the focus on the examples of subject matter information, suggested in the DP Appendix A, and providing them in the form of Appendix in ISRS 4400 could support professional accountants to perform AUP engagements on non-financial information.</p> <p>In addition, as discussed in the below question 7, the use of experts in AUP engagements must be included when ISRS 4400 includes non-financial information, since AUP engagements on non-financial information is strongly associated with the use of experts.</p>
47.	MICPA	None.
48.	NASBA	We agree that procedures relating to non-financial information and pre-conditions relating to the competence of a practitioner to undertake an AUP engagement should be included in the scope of the engagement. The practitioner should be satisfied that the procedures to be performed are substantive, meaningful, and within the expertise of the practitioner. The pre-conditions relating to competence to undertake an AUP engagement on non-financial information could include, for example, use of an expert to assist the practitioner in performing the AUP engagement.
49.	SAICA	<p>55. Extant ISRS 4400 would presumably be revised in accordance with the clarity conventions that have been applied to other IAASB International Standards and would therefore include, amongst other sections, distinct scope and objectives sections. These sections should be used to distinguish an AUP engagement from assurance engagements, including clarifying what is meant by procedures of an audit nature<sup>21</sup>. Also expand on the notion that the outcome of an AUP engagement is a report on objectively verifiable factual findings and not subjective opinions or conclusions.</p> <p>56. During our consultations, it was noted that there is currently uncertainty around the scope of ISRS 4400 with specific areas of concern being the following:</p> <ol style="list-style-type: none"> <li>a. It is not clear whether ISRS 4400 caters for consultancy engagements and if these are intended to be within the scope of this standard, how additional requests for the practitioner to make recommendations should be addressed?<sup>22</sup> .</li> <li>b. Are forensic services included etc.?</li> </ol> <p>57. Although it is recommended that the standard remain flexible in allowing for a variety of engagements to be included in the scope thereof, a distinct scope section which includes parameters / principals for the practitioner to consider in determining whether the requested engagement is within the scope of ISRS 4400 or not should be included that provides guidance on the matters discussed in the preceding paragraph.</p> <p>58. Furthermore, it may be helpful to use examples that draw comparisons to subject matters or subject matter information addressed in other International Standards, for example, ISAE 3000 (Revised)<sup>23</sup> and ISAE 3410<sup>24</sup> to illustrate that AUP engagements may also be performed in relation to such non-financial information in accordance with the information needs of the intended users</p>

		<p>(and provided that any preconditions are met). The IAASB could consider using an approach similar to that applied in ISAE 3000 (Revised)25.</p> <p>21 ISRS 4400, paragraph 4</p> <p>22 Discussion Paper, paragraphs 46 – 48 and question 12</p> <p>23 ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information</p> <p>24 ISAE 3410, Assurance Engagements on Greenhouse Gas Statements</p> <p>25 ISAE 3000 (Revised), paragraph 6</p>
50.	SAIPA	By allowing the scope of work to clarify what procedures were agreed upon there will be no need for this to be outlined in the standard as the standard will be referring to “information” without any specific descriptor.
51.	SMPC	<p><i>Combined answer to question 5 and 6</i></p> <p>The SMPC fully supports the scope of AUP engagements including non-financial information and other matters.</p> <p>AUP engagements are an expanding service area in many jurisdictions. We understand that this service is increasingly performed by SMPs. The subject matter for AUP engagements is also extending and may cover many different subject matters besides financial information. Appropriate clarification on this issue in a revised ISRS 4400 is needed.</p> <p>We agree that ISRS 4400 should address the need for practitioners to consider whether they have the competence to perform AUP engagements on non-financial information, including recourse to experts where an AUP engagement involves subject matter with which a professional accountant may have relatively little technical experience.</p>
52.	WPK	No comment.
<b>Individuals and Others</b>		
53.	14000REGISTRY	Given our expectation that interest in its application to nonfinancial information will grow, we recommend that the revised standard and supporting collateral and communications need to make this opportunity clear and indeed promote such use.
54.	ANA	We are not in a position to offer a meaningful comment to this question. We broadly see a need for a non-assurance AUP standard on non-financial information.