

Supplement J 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 9

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](#).

Q9. Do you agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement? If not, what are your views?

#	Respondent	Comments
Those Charged with Governance		
1.	IIA SA	The non-signatory party would need a clear understanding of the AUP and the conditions of the engagement. It is critical in such cases to ensure that there is no ambiguity or misunderstanding of terms that could result in damage to any signatory party to the assignment.
Regulators and Oversight Authorities		
2.	EUROPEAN COMMISSION	Absolutely yes, agree.
3.	IRBA	9.1 Yes. Currently, in many jurisdictions AUP reports are provided to a regulator or a financial institution even though these bodies are not signatories to the engagement letter. However, we recommend that guidance be provided when an AUP report is provided to a party or parties that were not signatories to the engagement letter, as the extant standard only deals with the practitioner and the engaging party.
National Auditing Standard Setters		
4.	AASB-CNAC	We agree that the AUP report can be provided to a party that is not signatory to the engagement letter as long as:

		<ul style="list-style-type: none"> • The practitioner is satisfied that the party has a clear understanding of the AUP and the conditions of the engagement; and • The party is specified as an intended user of the AUP report in the terms of engagement. <p>Limiting the distribution of the AUP report to parties that are signatories of the engagement letter diminishes the value of the AUP engagement if the report cannot be distributed to users who require it.</p>
5.	AUASB	<p><i>Combined answer to question 9, 10 and 11</i></p> <p>The AUASB has clearly made a distinction between use of an AUP report and distribution of such a report, this distinction was deliberately included in the requirements of ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings by the AUASB. The purpose of the distinction is not to prevent distribution of a report per se, but to deter use of that report by those other than the intended users which are identified in the terms of engagement. Reliance on that report is then effectively restricted to the intended users identified, even if the report is distributed to other parties.</p> <p>ASRS 4400 is clear about restricting use of an AUP report in order to bridge an expectation gap that may arise between the information contained in an AUP report and extent of the reliance which the user places on that report. As an AUP report does not provide a conclusion, no assurance can be taken from the report and the factual findings reported need to be considered in combination with other information in order for users to draw their own conclusions with respect to the subject matter.</p> <p>The relevant requirements of ASRS 4400 are:</p> <p>“42. Use of the report shall be restricted to those parties that have either agreed to the procedures to be performed or have been specifically included as intended users in the engagement letter since others, unaware of the reasons for the procedures, may misinterpret the results.</p> <p>43. The report of factual findings for an agreed-upon procedures engagement shall contain: (Ref: Para. A18-A19)</p> <p>(n) a statement that use of the report is restricted to those parties identified in the report, who have agreed to the procedures to be performed or were identified in the terms of the engagement;”</p> <p>It is important to note that classes of users can be anticipated in the engagement letter and report, rather than necessarily identified individually at the time of issuing the report. This is explained in ASRS 4400 paragraph A12, and is appropriate where “the assurance practitioner is satisfied that those users will understand the purpose for which the report of factual findings in intended to be used”. Any amendments to the standard would need to consider the growing use of on-line reports and hence the increased distribution of such reports.</p> <p>Based on the above, the AUASB is supportive of Option c of paragraph 44 of the discussion paper.</p>
6.	CNCC-CSOEC	<p>In practice, and as mentioned in paragraph 41 of the Discussion paper, AUP reports are regularly provided to a party (such as a regulator or a funder) even though they are not signatories to the engagement agreement. Also, there could be jurisdictional requirements by which a practitioner can be asked to prepare a report that will be distributed to a number of intended users. Therefore a certain degree of flexibility is needed with respect to the possible distribution of the AUP report to third parties.</p> <p>Thus, we agree that the AUP can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement.</p>

7.	FAP	It's not totally disagreed however we concern on how to ensure that other party has a clear understanding of the AUP and the conditions of the engagement. Moreover making the AUP Report more public will increase the practitioner's responsibility.
8.	HKICPA	We agree that the AUP report can be provided to a party that is not a signatory to the engagement letter. Typically, an AUP report is submitted to a regulator who would not be a signatory to the engagement letter.
9.	IDW	<p>We agree with the Working Group's view that it was not the original intention of current ISRS 4400 to restrict the report to those that sign the engagement letter because of the passages in ISRS 4400.9 and 4400.10. We therefore agree that AUP reports can be provided to parties for which the practitioner is satisfied that these parties clearly understand the nature of the AUP engagement and the procedures specified.</p> <p>Nevertheless, the Working Group and the IAASB need to recognize that there are circumstances around the world in which public institutions require the performance of agreed-upon procedures engagements and that these public institutions might be required by law or regulation to provide these reports to other parties or to make these reports publicly available. For these reasons, we suggest that any requirement, that restricts the provision of the report to those parties for which the practitioner is satisfied that these parties clearly understand the nature of the AUP engagement and the procedures specified, needs to include an exemption for cases in which law or regulation may specify that the report be provided to other parties or be made publicly available. For cases in which such reports must be provided to other parties or be made publicly available, the issue of report restrictions addressed in the next section is crucial (see our response to questions 10 and 11 below).</p>
10.	JICPA	We agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as such party has a clear understanding of the AUP and the conditions of the engagement. Moreover, we believe that such instances as described in the section 41 of the DP where it is judged that the relevant party has a clear understanding of the AUP and the conditions of the engagement should be presented in the application guidance. Besides, the Professional Guidelines 4400 demonstrates that the representation be obtained from the party who is not a signatory to the engagement letter that such party has a clear understanding of the AUP and the conditions of the engagement.
11.	MAASB	The AASB does not support providing the AUP report to users who are not signatories to the engagement letter. However, the AASB agrees that the AUP report can be provided to a party that is not a signatory to the engagement letter (such as a regulator or funder) provided that party has a clear understanding of the AUP and the conditions of the engagement.
12.	NBA	<p>Yes, we agree. The report is meant for the intended users. It is important that the practitioner consults with the intended users what they need. One of this intended users is the person who is legally authorised to sign the engagement. Under certain circumstances, the practitioner will not be able to consult with all of the intended users. In these situations, the practitioner must take other measures to know the need of them, like reading a protocol or discuss the need with the most relevant representative of the intended users.</p> <p>We also recognize that some users are completely unknown for the practitioner because for instance they can obtain a report by law. The practitioner bears no responsibility for use by this group of users., He cannot ascertain for which purpose they wish to use the report, or if they possess the knowledge necessary to understand the results and to use them in an appropriate manner.</p> <p>See Appendix 1, paragraph 13a and A7, 24 to 26 inclusive and A12.</p>
13.	NZAuASB	When the AUP report is presented to those who are not a party to the engagement, those receiving the report may not

		<p>fully understand the basis for the engagement nor have the requisite understanding of the systems, controls or procedures performed to be able to evaluate the factual findings and may consequently falsely take assurance from it. The expectation gap and a lack of understanding as to what an AUP engagement is, is a key challenge for any revision to the extant standard.</p> <p>In general, the NZAuASB does not support providing the AUP report to users who are not signatories to the engagement letter.</p> <p>There were mixed views as to whether there may be circumstances where it is appropriate to provide the report to a party that is not a signatory. For example, in New Zealand the regulator requires a qualified auditor to provide a report of factual findings in respect of the Net Tangible Asset calculation as part of the standard conditions for derivative issuer licenses. (The AUP engagement is required by regulation, and the regulation sets out the procedures to be performed). In such circumstances, when the AUP is required by a regulator, but where that regulator is not a signatory to the engagement letter, some are of the view that provided the party has a clear understanding of the AUP and the conditions of the engagement, it is appropriate for the report to be provided to that party. Others are of the view that a factual findings report should never be provided to a party that is not a signatory to the engagement letter.</p> <p>In order for such a party to use the report, certain conditions would need to be met, including but not limited to:</p> <ul style="list-style-type: none"> • The practitioner has determined that the AUP engagement is the appropriate form of engagement to meet the regulator’s needs. • The procedures to be performed are determined by an external source, for example, law or regulation, and the regulator has a clear understanding of the procedures to be performed, and the ability to evaluate the results of the procedures performed and draw their own conclusions. <p>The NZAuASB considers that it would be inappropriate for AUP reports to be used as general use reports as all readers are unlikely to have the necessary context to understand the procedures performed, evaluate the results and draw their own conclusions from the factual findings.</p>
Accounting Firms		
14.	BDO	<p>We agree that the AUP report can be provided to a third party that is not a signatory to the engagement letter as long as the agreed procedures and conditions of the engagement are clearly communicated to such users.</p> <p>In addition, certain conditions may be set in general by the third party, such as the European Union, government, professional bodies, etc. If such third parties are not signatories to the engagement letter, other means should be considered to ensure the conditions are understood. An example of how this could be accomplished would be through a letter of acknowledgement, where the third party agrees to the terms of the engagement, without signing the engagement letter. A letter of acknowledgement may also include a hold harmless release clause limiting the liability of practitioners with third parties, where such terms are permitted by local laws and regulations.</p> <p>We also suggest that the revised standard include the following in the terms of the engagement with the client:</p> <ul style="list-style-type: none"> • specific guidance regarding the responsibilities of the practitioner to communicate the restrictions on distribution and/or use of the report (if any); and • a requirement that the client agrees that the report will only be made available to third parties after receiving approval from the practitioner.

15.	CHI	In practice, non-signatories to the engagement letter require reports. A revised ISRS has to acknowledge this. We agree with the proposed approach.
16.	DTTL	ISRS 4400 currently states that an AUP 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.” ² We agree with this approach, but believe it should be modified to acknowledge that such report may be provided to others beyond the specified parties if required by law or regulation. DTTL’s experience is that where an AUP engagement is required by law or regulation then the details of the procedures are more-likely-than-not listed in the specific statute or regulation and it is therefore clear to the user as to why the specific procedures were performed.
17.	EYG	<p>Yes, we agree with Working Group’s views in paragraph 41 of the Discussion Paper that providing the AUP report to a party that is not a signatory to the engagement agreement is appropriate as long as the party has a clear understanding of the agreed-upon procedures and the conditions of the engagement. We agree that one manner in which this understanding may be achieved is when the purpose of the engagement and the procedures to be performed in the AUP engagement are set out in law or regulation.</p> <p>We also believe that, when specific parties are required or intended to be users of the AUP report, such parties should either become additional signatories to or be identified in the engagement letter. Further, such parties should be identified in the AUP report (see our response to Q10).</p>
18.	GTIL	<p><i>Combined answer to question 9, 10 and 11</i></p> <p>We believe that restriction on use and restriction on distribution should be considered separately and that restriction of distribution presents the larger challenge as discussed below.</p> <p>As it relates to restriction of distribution, there are both benefits and drawbacks to restricting the distribution of a report on an AUP engagement. If distribution of the AUP report is too restricted, for example to only those who are a party to the engagement letter, it may lose its usefulness and flexibility in different scenarios. Conversely, an AUP engagement that is widely distributed may become too high a risk for the practitioner to accept because, depending on the subject matter and the procedures performed, the engagement report may be misunderstood by the users of that report. We are of the view that an appropriate balance needs to be struck.</p> <p>We therefore support the second option presented in the Discussion Paper in respect of restricting the distribution of the AUP report We believe that an approach that neither requires nor precludes the practitioner from including restrictions on the AUP report would provide sufficient flexibility.</p> <p>ISRS 4400 could then provide guidance on matters that the practitioner may want to consider when determining how and if to restrict distribution of the AUP report, including:</p> <ul style="list-style-type: none"> • Consideration of the subject matter on which the AUP engagement is being performed and the type of procedures being performed. Some subject matters may lend themselves to restriction whereas procedures that simply require the agreement of information to an underlying report may be appropriate for wider distribution. • Whether local law or regulations require restriction of the report • Whether limiting the distribution of the AUP report to those parties identified in the engagement letter, rather than requiring parties to be signatories to the engagement letter, may provide an appropriate level of restriction.

		As it relates to restriction on use, we are of the view that the third option, requiring "the AUP report to include a statement to the effect that the report is intended solely for the specific users and may not be suitable for any other purposes...;" could be adapted. The statement could be used to indicate the purpose for which the AUP report was prepared (not specifying the report is intended for specific users as suggested in the document) and to indicate it may not be suitable for another purpose. Alerting users in this way could also be used in conjunction with the restriction on distribution, above.
19.	KINGSTON SMITH LLP	We agree that a copy of the AUP report can be provided to a party that is not a signatory to the engagement letter as long as (a) the party understands the engagement and (b) suitable caveats are included in the report to ensure that reliance is not placed on the report inappropriately. This is relatively common in practice.
20.	KPMG	<i>Combined answer to question 9, 10 and 11</i> While we believe it is important that reports with factual findings clearly explain that they are intended for specific users and may not be suitable for another purpose, we also believe that there should be some flexibility in whether this is achieved via a restriction on use and/or distribution. The flexibility should depend on the specific circumstances of the engagement, including the requirements of the relevant jurisdiction and also nature of the procedures to be performed and the granularity with which the procedures and findings are described in the report. Accordingly, we are supportive of option (c) of paragraph 44 in the DP.
21.	PKFI	Yes, if the appropriate disclaimer is used in the AUP report.
22.	PwC	<ul style="list-style-type: none"> • Yes, in practice there is currently demand in some circumstances for the report to be made available to third parties who are not signatories to the engagement letter (e.g., regulators, funding agencies). • One of the practitioner's objectives is to avoid issuing (or consenting to the release of) a report that they believe is likely to mislead users. • We believe that there are ways, however, in which the practitioner can satisfy himself or herself that those users will understand the purpose for which the report of factual findings is intended to be used. This could, for example, include using clear terminology, outlining the purpose for which the report is prepared, and what the practitioner's responsibilities are in regard to performing an AUP. Accordingly, they should be able to use their judgement as to the likely level of knowledge of the third party. • Where the report is intended to be bespoke and for management's purposes, third-party distribution would generally not be considered appropriate, as the engagement is not designed with a third party(s) in mind. However, a complete prohibition in such circumstances may be unduly restrictive, as the practitioner can make an informed decision whether to consent to the report being provided to other specific users. Safeguards that are sometimes used in practice in these circumstances include obtaining a "hold harmless" agreement with the user, that acknowledges that the engagement and report were not designed with that user(s) needs in mind. • Ultimately the decision about whether to consent to the AUP report being made available to other parties and under what circumstances should be a risk management decision for the practitioner.
23.	RSM	Assuming that provision of the report to a party that is not a signatory to the engagement letter is made by the practitioner, yes, we agree. If, however, the AUP report is provided to a party that is not a signatory to the engagement letter by a specified party, then of course the practitioner may not even be aware of this circumstance and the standard should clearly indicate that the practitioner has no further

		<p>responsibilities in this context. The practitioner can specify users of the report but cannot control distribution of the report by parties other than the practitioner.</p> <p>Ideally this would all be agreed as part of the acceptance process but we recognise that this may not always be possible since other parties may request a copy of the report at a later stage or even after its completion. Guidance for practitioners on steps which they should undertake in situations where parties are added later would be useful.</p>
Public Sector Organizations		
24.	AUDIT NEW ZEALAND	We agree with the view that the report can be provided to a party who is not a signatory to the engagement, provided that such parties have a clear understanding of the AUP and the conditions of the engagement. There needs to be additional guidance on how the practitioner could be satisfied that these conditions are met.
25.	CIPFA	<p>CIPFA agrees that this is possible, subject to any legal or other limitations on the sharing of the information.</p> <p>As noted in the Public Sector Perspective in the extant ISRS 4400, in some cases there may be a legal requirement to disclose or share the report, for example, where government documents are required to be publicly accessible. In such cases, there is limited scope to influence the understanding of the non-signatory, other than through directing them to read the conditions of the engagement, or explanation that the report has been prepared for specific users and may not be suitable for any other purposes.</p>
26.	PAS	Yes, the AUP report can be provided to 3rd parties, and the 3rd party requires a clear understanding of the AUP and the conditions of the engagement.
Member Bodies and Other Professional Organizations		
27.	ACCA	The procedures in an AUP engagement are agreed between the client and the practitioner. ACCA tentatively agrees with the Working Group's suggestion that an AUP report can be provided to a party that is not a signatory, provided that party has a clear understanding of the AUP and the conditions of the engagement. However, ACCA wonders how the practitioner could establish that that requirement has been met. Furthermore providing the report to a third party may fuel the perception that some kind of assurance has been provided.
28.	AE	<p>(10) It should be possible to provide the AUP report to a party that is not a signatory to the engagement letter when the procedures to be performed in an AUP engagement are set out in law or regulation or are described in the terms and conditions of the AUP engagement. Requiring the AUP report to include a statement that the report is intended solely for the specific users, subject to law or regulation of the relevant jurisdiction or by express agreement between the parties, is the right trade-off between the two other approaches described by the IAASB.</p> <p>(37) It should be possible to provide the AUP report to a party that is not a signatory to the engagement letter when the procedures to be performed in an AUP engagement are set out in law or regulation or are clearly described in the terms and conditions of the AUP engagement.</p> <p>(38) Restricting the AUP report to signatories to the AUP engagement letter would in many cases defeat the purpose of carrying out the AUP engagement, i.e. in the case where the parties that are party to the terms of the engagement require such an engagement for regulatory purposes.</p>

		(39) Also, there could be jurisdictional requirements for which a practitioner will be asked to prepare a report that will be distributed to a number of intended users therefore this kind of flexibility is needed. However, it is worth pointing out that often the practitioner will not be aware who the intended users are and whether they have the necessary knowledge to understand the report and to use it in a suitable manner. Therefore, unambiguity is essential.
29.	AICPA	The SSAEs distinguish between engaging parties, who engage the practitioner and with whom the terms of engagement are agreed, and the intended users of the report, referred to as specified parties. Specified parties are required to be identified in the engagement letter and to acknowledge their responsibility for the sufficiency of the procedures. The SSAEs also provide for the addition of a specified party after the completion of the AUP engagement. Such party is referred to as a nonparticipant party, and the practitioner is required to obtain affirmative acknowledgement from the nonparticipant party agreeing to the procedures performed and of its taking responsibility for the sufficiency of the procedures. Accordingly, the ASB believes that the AUP report can be provided to a party that is not a signatory to the engagement letter provided that the party has acknowledged agreement to the procedures performed and has taken responsibility for the sufficiency of the procedures. As noted in Q3 above, the ASB and ARSC are currently engaged in developing an alternative service, which may ultimately allow for a practitioner to issue an unrestricted report on findings, wherein the practitioner has a shared responsibility for the development of the procedures and an assertion is not required of the responsible party. Although it is early to predict the outcome of this project, the preliminary board discussions are supportive.
30.	ASSIREVI	<p>This approach should not be considered always appropriate for undefined or unrestricted users. In our view, as general standard the AUP report should not be provided to a party that is not a signatory to the engagement letter. We consider it appropriate for the Standard to include requirements for the practitioner to consider when a distribution to third parties is made, with reference to the circumstances, procedures and the extent to which the limitations in the scope of work and resulting report can be understood by a user who was not party to the agreement of the procedures.</p> <p>We acknowledge that in limited circumstances the provision of the AUP report to a party that is not a signatory to the engagement letter could be acceptable. This could be the case when the required procedures are clearly defined in the law or regulation and the required procedures comply with ISRS 4400.</p> <p>In these cases we believe it is important to clarify the independence issues which could affect also the party that is not a signatory to the engagement letter.</p>
31.	CAANZ	<p>We cannot agree because a user's "clear understanding" (ie state of mind) cannot be completely determined. Making that user a signatory to an engagement letter does not clear it up either. The solution is that the user → not the responsible party – should initiate, dictate, request, commission, formulate or instruct the procedures – either directly to the practitioner or, where not possible, via the contracting (ie responsible) party. The practitioner should consider whether procedures are appropriate and agree to them in the engagement letter, which also contains other arrangements between contracting parties that are irrelevant to the user.</p> <p>It is ideal that the engagement letter be signed by the user, responsible party and practitioner, but this is not always possible. Due to professional indemnity implications, the AUP report is restricted and addressed to signatories of the engagement letter.</p>
32.	CAI	We agree with the Working Group's view, on the basis that the party has a clear understanding of the AUP's and the relevant conditions of the engagement. There should be separately agreed terms of reference between these parties. This terms of reference should be attached to the AUP engagement letter.

		Some application guidance in the revised standard to address these scenarios would be helpful for the practitioner.
33.	CPAA	We support the view that an AUP report can be provided to third parties who are not a party to the engagement agreement, if they have a clear understanding of the AUP and the conditions of the engagement. Those users or class of users should be identified in the terms of engagement and in the AUP report, as well as the manner by which they have been made aware of the purpose, subject matter information and limitations of the report.
34.	EFAA	We agree in principle. However, AUP report restrictions need to be considered in the context of legislation and jurisdiction (especially liability regime and general terms and conditions) at the national level. For example, in some jurisdictions the report is restricted to intended users except perhaps when the government or regulator are either client or intended users or submission can be demanded by and to certain applicants. An AUP report that is suited for private purpose may not be suitable for public dissemination. As a minimum t, the report may need to include a statement that it is not intended for public dissemination.
35.	FACPCE	Yes. Any user of an AUP report that was not a signatory party of the engagement letter has to have a clear understanding of the terms of the AUP. Otherwise, the user may misinterpret the objective (not assurance), scope (agreed procedures performed) and factual findings
36.	FAR	Yes, FAR agrees.
37.	FSR	One of the main challenges is caused by the requirement to enter into an engagement letter with the user of the report. We, therefore, welcome the IAASB's view that it should be possible to provide an AUP report to a party that has not signed the engagement letter. In these situations, it is, however, important that the procedure results in objectively verifiable factual findings and not judgement findings, and that the report is prepared solely for specific intended users and that these users are disclosed in the factual findings report. We support that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement. In many cases, restricting the AUP report to the parties signing the engagement letter would restrict engaging parties' ability to use AUP reports for specific purposes.
38.	IBR-IRE	We are in favor of making the AUP report open to parties that have not signed the engagement letter as there is clearly a need for such report and in many instances, the receiving party would not be in a position to sign the engagement letter. While we appreciate the risk of misinterpreting the scope of the practitioner's work and findings, we believe that this could be overcome by appropriate language in the AUP report. We believe that making an individual assessment as to whether the receiving party has a clear understanding of the AUP and conditions of the engagement will be impractical. Also, with respect to this matter, we would like to point out that there is no duty of care with regard to third parties.

39.	ICAEW	<p>26. We agree. A balance needs to be achieved here because if the standard is either too restrictive in distribution of the report or requires (or implies there is low risk in) a wide distribution, it will affect the practitioner's engagement acceptance decision and may make some engagements unacceptable.</p> <p>27. We believe that the decision about who the AUP report should be made available to and under what circumstances is a risk management consideration for the practitioner and will depend on the nature of the engagement and the territory in which it is performed (as different territories have different litigation and risk profiles).</p>
40.	ICAG	<p>We agree that the report can be provided to a party not a signatory to the engagement letter. We however, do not think that this needs to be written into the report language. Given the risk of litigation that always exist we are comfortable with the current arrangement whereby the accountant's liability is to the signatory of the engagement letter. To open it otherwise will be detrimental to the profession as all it will take is one lawsuit from a non-engagement letter signing party to have a potential chilling effect on other accountants.</p>
41.	ICAS	<p>In our opinion, the practitioner should not normally accrue obligations to any user of the AUP report who has not signed up to the engagement letter. It should only be permissible for the AUP report to be provided to a party that is not a signatory to the engagement letter when the procedures to be performed in that AUP engagement are set out in law or regulation or are clearly described in the terms and conditions of the AUP engagement. Also, there could be local requirements for a practitioner to produce a report for wider distribution therefore this level of flexibility is needed. However, it is worth highlighting that often the practitioner will not know who the intended users are nor whether they have the necessary knowledge and understanding of the scope of the report and this reinforces the need for unambiguous terminology in the AUP report.</p>
42.	ICASL	<p>Partially agreeing with the Working Group's view that AUP report may be used by a third party who's not signatory to the engagement letter. AUP report can be opened up to the extent that there are evidence to show (by the practitioner) that user have the understanding on; terms of the engagement, reasons for procedures, agreed upon procedures and accurate interpretation on the results. Therefore the third party user having adequate understanding over the entire AUP and the conditions of the engagement should not be an assumption unless confirm in writing.</p>
43.	ICAZ	<p>In practice the practitioner may not be able to discuss the procedures with all the parties who will receive the report such as a regulator requiring a AUP report. We therefore agree that the AUP can be provided to a party that is not signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement.</p>
44.	ICPAU	<ul style="list-style-type: none"> • Yes. Permission from the practitioner must be sought. • However, information confidential to a client acquired in the course of professional work should not be disclosed except where consent has been obtained from the client other proper source, or where there is a legal right or duty to disclose.
45.	ISCA	<p>NO RESPONSE</p>
46.	KICPA	<p>We agree with the question that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement. After all, the party is the one who can use the relevant report with the accurate understanding of the AUP results.</p>

		<p>Especially at a circumstance where the demands of AUP report is gradually increasing, the provision of report to the party that has a clear understanding of AUP and its conditions could increase the value of the report, thereby contributing to facilitating AUP engagements.</p> <p>However, some commented as a minority opinion that the provision of AUP report to the party that is not a signatory to the engagement letter is not desirable, as it is practically difficult for the party to have a clear understanding of AUP and its condition, thereby necessitating placing definite restrictions in advance to AUP report users.</p>
47.	MICPA	Yes, MICPA agrees.
48.	NASBA	We agree that the intended parties do not need to sign the engagement letter as long as each party has a clear understanding of the AUP and the conditions of the engagement. If an intended party does not sign the engagement letter, and if there is not a reference to a contractual procedure or regulation within the body of the AUP report, the AUP working papers should clearly document how the practitioner knows that the intended party is aware of the extent of the procedures performed. (e.g. a published guideline of expected procedures by a regulatory or oversight body exists).
49.	SAICA	<p>79. 86% of survey respondents agreed with the interpretation of the Working Group that the AUP report is not limited to the signatories of the AUP engagement letter³⁵. AUP reports are regularly provided to parties that are not signatories to the engagement letter; hence the need to address and clarify these issues in the revised ISRS 4400.</p> <p>35 Discussion Paper, paragraph 41</p> <p>80. To emphasise this point, in addition to parties such as regulators or funders, the AUP report may well find its way to other parties in an even broader context, taking cognisance of the age in which businesses currently operate. With the ever-evolving technological environment, any report issued by a practitioner should in essence be considered to be within the public domain. Realistically and conceptually this should be balanced with the principle that the practitioner's responsibilities relate to the primary and intended users of the AUP report and the related subject matter information, as a group. Therefore, the approach suggested by the Working Group in paragraph 41 of the Discussion Paper is sensible.</p> <p>81. To this end, the practitioner needs to ensure that the risk of undue reliance being placed on the report, or the misinterpretation of the purpose of the engagement or the nature and extent of the work performed needs to be managed. Based on our consultations, practitioners are currently managing this risk by ensuring the following in issuing an AUP report:</p> <ol style="list-style-type: none"> a. The purpose of the AUP engagement, including the scope thereof is clearly defined in the AUP report; b. The nature and extent of the procedures performed are clearly described in the AUP report; c. The findings are documented in a such manner to enable the reader of the report to have a clear understanding of the outcome of the AUP engagement; d. A statement highlighting what the AUP report is not intended for, i.e. that the procedures performed do not constitute either an audit or a review and as such, no assurance is expressed; and e. A statement highlighting that the report is restricted to those parties that have agreed to the procedures to be performed.

		<p>82. In comparing the feedback SAICA has received to the reporting requirements contained in extant ISRS 440036, it is evident that there is no additional disclosures that practitioners are including that are not already recommended in the standard. This is an area where enhancements to the revised standard will be important, i.e. prescribing the minimum disclosure requirements for an AUP report.</p> <p>83. Further guidance suggested by survey respondents which the Working Group may consider including in the revised ISRS 4400 to mitigate certain risks for the practitioner were as follows:</p> <ul style="list-style-type: none"> a. Although ISRS 440037 requires the practitioner to include the date of the AUP report, this could be expanded to address some practical considerations, for example the period for which a particular AUP report would be valid, or making reference to the date or period to which the procedures and the related factual findings relate (and are limited to); b. To further clarify the scope of an AUP engagement by including a statement highlighting that the findings only relate to the information that has specifically been described as the subject matter information of the AUP engagement concerned. This section of the report could be expanded to indicate that since the AUP engagement constitutes the reporting of objectivity verifiable factual findings and not subjective opinions or conclusions, evidence from other sources or procedures that may ordinarily be obtained/performed in an assurance engagement has not been obtained/performed or considered in this engagement; <p>36 ISRS 4400, paragraph 18 37 ISRS 4400, paragraph 18</p> <p>84. The group of survey respondents who indicated that they are not in favour of the AUP report being made available to parties other than those that are signatories to the engagement letter (14%), expressed the following concerns. This is in line with the information provided in the Discussion Paper and SAICA believes could be addressed in the manner as discussed above, including enhancing the reporting requirements in the revised ISRS 4400.</p> <ul style="list-style-type: none"> a. Practitioners perform the AUP engagements according to a mandate received and as agreed with specific parties. Parties that are not privy to this additional information may not understand the purpose of the engagement and therefore misinterpret the results of the AUP engagement; b. The AUP report is intended for the use of the contracting parties only and therefore the distribution of this report should be limited, while acknowledging that in certain instances there may be users of the report that are not signatories to the engagement letter, such as regulators and funders, but who understand the scope and purpose of the AUP engagement.
50.	SAIPA	<p>SAIPA agrees with the working Group that the report could be made available to persons that are not signatories, the scope of work paragraph will cover the practitioner in clarifying what the agreed upon procedures were. The contents of the report on the purpose of the AUP; nature and extent of the procedures performed; the analysis of the factual findings as well as the statement that the procedures performed did not constitute a review or an audit should be sufficient to inform the non-signatory user of the AUP report on what the report is about. SAIPA also find the following extracted from the illustrative report to cover the practitioner from any unintended risk: “Our report is solely for the purpose set forth in the first paragraph of this report....”</p>
51.	SMPC	<p>We agree with the Working Group’s view that the report can be provided to a party that is not a signatory to the engagement letter, as long as they have a clear understanding of the AUP and the conditions of the engagement. In practice some clients always provide the</p>

		<p>AUP reports to stakeholders other than the signatory to the engagement letter and it is difficult for the practitioner to control. For instance, where management is the signatory to the engagement letter, but they have commissioned the work to satisfy a third party that they have a relationship with. There is also some demand for AUP reports that can be made public, and in some jurisdictions it has been established by regulation that certain reports should be made publicly available.</p> <p>The Working Group needs to fully consider all of the implications and the context of jurisdictional legislation in order to achieve an appropriate balance. For example, an AUP report that is fit for private purpose and agreed between consenting parties may not be fit for the purposes of public dissemination and it could affect the practitioner’s engagement acceptance decision. At the very least, a statement to the effect that it is not for public dissemination may be needed to be placed within the report.</p>
52.	WPK	AUP report restrictions need to be considered in the context of legislation and jurisdiction (especially liability regime and general terms and conditions) on the national level.
Individuals and Others		
53.	14000REGISTRY	<p>Yes. We think that the report on the existence of an environmental management system could certainly be used by small businesses in selling their entity or demonstrating good stewardship to their stakeholders, including governments, and customers.</p> <p>At this time, as part of the reporting process by an EnviroReady Report Accountant, 14000registry requires disclosure of related statistics. The disclosure of the content of the report on factual findings is not a requirement. We recognize that one of the drivers for small business owners (and others) to have a robust, credible and reliable EMS is to be able to provide clients, bankers, insurers, governments and other stakeholders with confidence. The presence of the Report by a professional accountant supports the client’s confidence and his or her stakeholders. The option to share the existence of the Report should not be restricted. We recognize that in some circumstances, the content of the Report will be of interest. Third party recipients of the Report should be made aware of the scope and limitations of the Report to understand its value. That responsibility we see as a collaborative effort of the client, the EnviroReady Report Accountant and 14000registry, as well as other entities that we are working with to help small business. We recognize that it may be inadvisable to make this a requirement as there may be unintended consequences associated with various jurisdictions, be at the national, state, provincial or regional level.</p>
54.	ANA	Yes.