

Supplement K 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 10

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](#).

Q10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.

#	Respondent	Comments
Those Charged with Governance		
1.	IIA SA	Option a may be impractical in some legal jurisdictions. Option b is the preferred option as this places an obligation to agree on distribution channels wider than signatories and protects the principle of freedom of choice. Option c may be too lenient and could result in some unauthorised distribution.
Regulators and Oversight Authorities		
2.	EUROPEAN COMMISSION	The third approach is indeed the preferred trade off between the different purposes and needs. In particular, it represents the more suitable approach from a pragmatic perspective, avoiding conflicts upfront.
3.	IRBA	10.1 We of the view that option (c) is the most appropriate. 10.2 The first approach, option (a), is too prescriptive and impractical. It disregards circumstances where an AUP report has to be distributed in accordance with legal or regulatory requirements. 10.3 The second approach, option (b), is too open-ended and consequently increases the risk of misinterpretation of the AUP report by unintended users to an unacceptable level.

		<p>10.4 The third approach, option (c), is the most balanced approach, and it is in line with other standards as it alerts readers, specifically, to the objective, scope and intended use of the AUP report.</p> <p>10.5 This approach is generally used for reporting to regulators in South Africa.</p>
National Auditing Standard Setters		
4.	AASB-CNAC	<p>In our view, the third approach described in paragraph 44 of the Discussion Paper best satisfies the objective of allowing the AUP report to be distributed to (and used by) an appropriate party who was not originally specified in the terms of the engagement while mitigating the risk of unintended users misinterpreting the AUP report. This approach addresses the circumstances whereby an AUP report may be provided to an appropriate party who was not originally specified in the terms of the engagement or when an AUP report is required by law or regulation to be posted online. The statement that the AUP report is intended solely for the specific users and may not be suitable for any other purposes helps mitigate the risk of unintended users misinterpreting the report.</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	We consider that the first approach ⁷ described in paragraph 44 is too restrictive. We encourage the IAASB to further consider the approaches 28 and 39 taking into consideration the potential confidentiality issues that may arise from making public the factual findings in the report.
7.	FAP	NO RESPONSE
8.	HKICPA	<p>We are of the view that the third approach is the most appropriate. By including a statement which clarifies the purpose and the specific users would be a useful alert to readers. Whilst the third approach may not fully address the objective of mitigating the risk of those who have not agreed to the procedures from misinterpreting the AUP report, we believe the risk of misinterpretation would be reduced by the proposed guidance on terminology in describing procedures and reporting.</p> <p>The second approach is the least appropriate as it is only agreed between the entity and the practitioner and therefore it lacks transparency. Readers should be made aware of any such restrictions if the report is to be posted online or given to other parties.</p>
9.	IDW	<p>In our view, subsuming this issue under “restricting the report” falls short of the nature of the matter that needs to be addressed. As noted in our response to question 9 above, there will be circumstances when reports must be provided to other parties or be made publicly available. In these cases, restricting distribution or use of the report is not a viable option. The only action the practitioner can take is to alert users in the AUP report to the special purpose of the report and the special nature of the procedures and that therefore the report may not be suitable for another purpose. Such a similar alert is currently required in ISA 800 for audits of special purpose financial statements: it seems to us that this kind of approach is appropriate for agreed-upon procedures engagements in all cases, but is particularly appropriate when neither distribution nor use can be restricted. It is therefore not an option for ISRS 4400 not to address the issue of such an alert or a potential restriction on distribution or use.</p> <p>The discussions at the IAASB about restrictions on distribution or use suggest to us that there appears to be some confusion about the nature of each. A restriction on distribution is a contractual restriction on the parties for whom the report was intended not to distribute the report to other parties without the consent of the practitioner. The reference to a restriction on distribution in the AUP report makes those other parties become aware of when they might have received the report in contravention of contractual terms and reminds the parties that legitimately received the report of their contractual agreement in the engagement letter not to provide the report to other parties without the consent of the practitioner.</p> <p>On the other hand, a restriction on use in an AUP report makes parties (other than those for whom the report was intended) who received the report aware of the fact that they were not the intended users and that they therefore cannot use (that is, legally rely on) the report.</p> <p>In some common law jurisdictions, it is not possible to restrict distribution, but it is possible to restrict use; in some civil law jurisdictions, it is not possible to restrict use, but it is possible to restrict distribution. In some jurisdictions, restricting both is possible; in others, neither can be restricted. For these reasons, ISA 800 includes application material clarifying that practitioners may restrict distribution or use of the report, or both, as applicable.</p> <p>For these reasons, in line with ISA 800, only option three is a viable: it would require the alert in all cases (which would be particularly important when neither distribution nor use can be restricted), but would allow practitioners to restrict distribution or use, or both, as applicable in their particular jurisdiction.</p>
10.	JICPA	We are of the view that the approach Paragraph 44(a) is most appropriate. We believe that the approach (b) is inappropriate due to the concern that the AUP report may be misused without properly understanding the nature of the AUP of reporting the factual findings in the

		environment where it is hard to say that the AUP engagement is sufficiently recognized socially. In an instance where the AUP report needs to be utilized by numerous parties, the approach (c) is practical in which restriction is practically imposed on its use by clearly specifying the purposes of engagement but not on its distribution, and that approach is worth investigating. However, adoption of the approach (c) will require the provision of proper guidance such as providing the instances requiring the restrictions on distribution in order to reduce the possibility of misinterpretation of the AUP report by the users.
11.	MAASB	The AASB is of the view that the first approach as described in paragraph 44 of the DP is the most appropriate. This will prevent the AUP report being provided to parties that is not signatories to the AUP engagement and mitigate the risk of unintended users misinterpreting the AUP report.
12.	NBA	The third approach (c) is the most appropriate, the second approach (b) the least. This is also in line with par. A61 Standard 4410 Compilation Engagements. Because an AUP engagement is for intended users, it is possible and effective to agree the restriction of the report with them. On the other hand, the practitioner cannot see or control what the intended users are doing with the report. Sometimes there are also options for parties to get a report by law. Therefore it is also sensible to make a statement in the report that the procedures are tailored to the information needs of the intended users. See Q11.
13.	NZAuASB	<p>The NZAuASB supports the third approach to restricting the report, whereby the report includes a statement to the effect that the report is intended solely for the specific users and may not be suitable for any other purposes. This wording strikes an appropriate balance between mitigating the risk of misinterpreting the findings and the convenience of allowing regulators etc. to make use of the report without signing up to the engagement letter.</p> <p>The NZAuASB further believes that the alert should identify the specified parties for whom the report is intended, and state that the report is not intended to be, and should not be, used by anyone other than the specified parties.</p> <p>As it is not possible for the practitioner to restrict the distribution of the report, it is, imperative that the report is very clear as to who the intended users of the report are, and alerts other potential users that the report has limitations.</p>
Accounting Firms		
14.	BDO	Our preference with respect to the three possible approaches to restricting the AUP report described in paragraph 44 would be to allow the practitioner to select which approach would be most suitable to their specific client situation. We believe this approach is similar to what is described in paragraph 44(b) of the Discussion Paper. This approach would provide the entity with flexibility in meeting legal or regulatory requirements which may require distribution of the AUP report to other parties who are not the intended users. Further, restricting the use and distribution of a report is usually a decision made by the practitioner based on their risk management policies and the applicable laws and regulations in their local jurisdictions.
15.	CHI	We consider the third approach to be the most appropriate. This approach tries to achieve a balance. The statement about report being intended solely for specific users is consistent with other reports, has risk management benefits, and is appropriate for managing legal liability.
16.	DTTL	An AUP report should be restricted to the specified parties named in the engagement letter (as they have agreed to the sufficiency of procedures for their purposes), notwithstanding that the practitioner or a specified party may be required by law or regulation to make the report available to a regulator or others.

		<p>DTTL believes the third approach provides the most practicable solution; namely, to require the AUP report to include a statement to the effect that the report is intended solely for the users specified in the report who have agreed to the procedures for their purposes and may not be suitable for any other purposes, subject to law or regulation of the relevant jurisdiction. This approach is similar to that of International Standards on Auditing 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks, paragraphs 14 and A21.</p>
17.	EYG	<p>Updating the current requirement for the practitioner to include a restriction on the distribution of an AUP report to the engaging parties to address circumstances when AUP reports are appropriately distributed to other parties or posted online (including when required by law or regulation)</p> <p><i>Combined answer to question 10 and 11</i></p> <p>We agree that the requirement in ISRS 4400 to include a statement that restricts the distribution of the report to those parties that have agreed to the procedures to be performed should be revisited in light of the current environment. We agree that AUP reports are provided to parties that are not signatories to the engagement agreement, such as regulators, particularly when the agreed-upon procedures are prescribed under law or regulation.</p> <p>First, we believe that the requirement in paragraph 18(g) of ISRS 4400 for the report to identify the purpose for which the agreed-upon procedures were performed is important to retain regardless of the approach taken related to restrictions on the report. We believe this information is critical for any users or recipients of the report.</p> <p>In regard to the approach that should be taken to restrict the AUP report, we do not support any of the three distinct options included in paragraph 44 of the Discussion Paper. Instead, we support an approach that requires a restriction on use to be included in the AUP report, but does not require, nor prohibit, a restriction on the distribution of the report.</p> <p>The AUP report should include, in our view, statements to the effect that:</p> <ul style="list-style-type: none"> • The report is intended solely for the specified users for the purpose as set out in the report. The specified users should be named in the report and should only include the signatories to the engagement letter and any other parties that have been specifically identified in the engagement letter (refer to our response to Q9). • The practitioner disclaims responsibility to any party other than the specified users for any use or reliance on the report for any purpose. <p>In summary, we believe it is important for the AUP report always to be clear that it was prepared for a specific purpose for specific users, but that distribution does not always need to be restricted to such users. However, should the practitioner deem it appropriate, or if it is required or customary in the jurisdiction to restrict the distribution of the report to only the specified users, then the practitioner may add a restriction on the distribution to the AUP report.</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. <p>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.</p>
19.	KINGSTON SMITH LLP	<p>We agree with the Working Group 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 – is the most appropriate. The first option is potentially too restrictive and the second option might make any restrictions on providing the report difficult to enforce in practice.</p>
20.	KPMG	<p><i>Combined answer to question 9, 10 and 11</i></p> <p>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.</p>
21.	PKFI	<p>In evaluating the three possible approaches to restricting the AUP report, we have considered and noted the following in each regard:</p> <ol style="list-style-type: none"> 1. Specified parties with restricted distribution - This may prove impractical for 2 reasons: <ol style="list-style-type: none"> (i) It may be difficult to identify all the specific users at the inception of the engagement.

		<p>(ii) The practitioner will have to ensure that the entity has a process of monitoring distribution, including electronic distribution, of the report to the specified parties.</p> <p>This is a less preferred option.</p> <p>2. Neither require nor preclude the practitioner from including restrictions on the AUP report (voluntary agreement) – A voluntary approach reduces the extent of consistency in reporting. Further, in the absence of a mandated approach, practitioners may find it more difficult to restrict the use of the report. We do not support this option.</p> <p>3. General restriction - In our view, the third approach is most appropriate. As alluded to in the Discussion Paper, it achieves an appropriate balance in mitigating the risk of those who have not agreed to the engagement procedures and allowing flexibility to meet legal or regulatory requirements especially if such report is posted online or when management is unable to restrict distribution.</p> <p>In addition, the practitioner should:</p> <ul style="list-style-type: none"> • endeavour to restrict the distribution to the direct recipients; • report findings or matters to an appropriate regulatory body if required by any law or regulation on non-compliance with laws and regulations regardless of any such restriction
22.	PwC	<ul style="list-style-type: none"> • As the nature and extent of restriction that would be appropriate in the practitioner's report likely varies across the spectrum of AUP engagements, we would not support requiring nor precluding the practitioner from including restrictions on the AUP report in all circumstances. • Narrowly restricting the AUP report is appropriate for a bespoke engagement designed specifically with the needs of management and/or those charged with governance. However, it could be too restrictive in circumstances when a specific third-party user or even class of users is involved. And we think the Board should consider whether there may be circumstances when even broader distribution might be allowable (e.g., when a well-established framework exists for a specific type of AUP engagement) and, if so, what engagement circumstances and safeguards may be appropriate to mitigate the risk of readers misinterpreting the report and placing unwarranted reliance on it. • Therefore additional guidance as to when it would be appropriate to restrict the AUP report may be helpful, with the overarching consideration that care should be taken to ensure that those receiving or using the report will have an adequate understanding of the purpose of the AUP engagement and the procedures performed, and a basis upon which to consider the findings.
23.	RSM	<p>We agree that the approach in paragraph 44(c) is the most appropriate as it represents a reasonable balance between clarity for all parties and the management of the practitioner's risk. The link to ISA 800 is useful in this respect.</p> <p>The approach in paragraph 44(b) does not, in our view, address the issue in a way which safeguards the interests of both the user and the practitioner because it could result in inconsistencies between reports both among and within firms.</p> <p>The option in paragraph 44(a) is similar to the approach discussed under Q9 above and may be useful in practice but we consider that it is hard to mandate it as a pre-condition of acceptance without some allowance for a later change of circumstances or users that might be acceptable to the practitioner.</p>
Public Sector Organizations		

24.	AUDIT NEW ZEALAND	We believe that the third approach (including a statement that the report is intended solely for specific users and may not be suitable for any other purposes) is the most appropriate.
25.	CIPFA	On balance, CIPFA supports option (c), having regard to our comments on Q9.
26.	PAS	Approach (c) appears to be the most appropriate, as it clearly states the purpose of the report, and protects the practitioner from undue harm due to misinterpretation. Approach (a) appears to be a cumbersome and time-consuming process that could result in delays to the process. Approach (b) is a viable option, however, approach (c) is a simple compromise to avoid deciding if a restriction is required or not.
Member Bodies and Other Professional Organizations		
27.	ACCA	ACCA prefers option (a). It is preferable for the practitioner to agree with the entity the specified parties who will receive the report and to require the entity to restrict distribution.
28.	AE	The third approach the right trade-off between the first and the second approach. It is a flexible approach considering the restrictions that might be imposed by laws and regulations in each jurisdiction.
29.	AICPA	<i>Combined answer to question 10 and 11</i> Recognizing that distribution of a report can be difficult if not impossible to control, the ASB believes that use of the report should be restricted to specified parties, who are responsible for the sufficiency of the procedures. If law or regulation require that the report be provided to a party that is not a signatory to the engagement letter – for example, requiring that the report be made available to the public – the SSAEs require that the report include an alert that describes the purpose of the report, and states that the report is not suitable for any other purpose. We recommend the IAASB consider a similar approach as our experience indicates that this accommodation has been important for practitioners in regulatory reporting circumstances (for example, recent Securities and Exchange Commission requirements related to due diligence engagements for asset-backed securitization transactions).
30.	ASSIREVI	We believe that the first approach is the most appropriate. The third approach might generate the risk of an improper use of the report when the rules for the restriction to the circulation of the AUP report are not clearly defined. We acknowledge that the third approach might achieve an appropriate balance if it appears consistent with the legal framework in a specific jurisdiction. In our view, the second approach is inappropriate.
31.	CAANZ	We believe the first approach is the most appropriate, but the AUP report should still note the restrictions in the report as suggested in the third approach.
32.	CAI	We consider that approach 3 is the most appropriate.
33.	CPAA	We agree that a report of factual findings in an AUP engagement may be misinterpreted by readers who are unaware of the context of the AUP. This is because reports of factual findings have limited use and must be combined with other information by users in order for the users to draw a conclusion about the subject matter. The report of factual findings can easily be misinterpreted as providing assurance, consequently we consider that a restriction is necessary to mitigate that risk of misinterpretation. As it can be difficult to

		<p>restrict the distribution of an AUP report in practice, we consider that its use should be restricted, thus effectively meaning that reliance cannot be placed on the report by other parties who are not included as users in the report.</p> <p>With respect to each approach presented in the discussion paper, our views are:</p> <ol style="list-style-type: none"> 1. Approach 1: We do not support this approach as it applies restrictions on both distribution and use of the AUP report. We consider that it is difficult to restrict distribution in practice and such a restriction may conflict with regulatory requirements to post a report on-line or distribute by some other means. 2. Approach 2: We do not support this approach as we consider the restrictions are needed to limit misinterpretation of the AUP report. 3. Approach 3: We support this approach as it restricts the use of the AUP report to users identified in the report, as agreed in the terms of engagement. It does not restrict the distribution of the report, which may be required to be made available publicly (for example posted on-line or lodged with a regulator) by law or regulation in the relevant jurisdiction. <p>In Australia, when the current standard ASRS 4400 was first issued, a restriction on both distribution and use was required in the engagement letter and AUP report. It was found to be impractical due to the existing requirements to distribute the report, therefore this requirement was amended to restrict only use of the report to “those parties that have either agreed to the procedures to be performed or have specifically included as intended users in the engagement letter since others, unaware of the reasons for the procedures, may misinterpret the results.” The intended users identified need not be a party to the engagement but must be identified in the terms of engagement and the AUP report.</p>
34.	EFAA	<p>We believe in principle that the most appropriate approach is that of allowing the AUP report to be provided to a party that is not a signatory to the engagement letter so long as the party has a clear understanding of the AUP and the conditions of the engagement. However, please see our response to Q9 above.</p>
35.	FACPCE	<p>We consider the first approach to be appropriate. It requires the professional to agree with the entity on the restriction of distribution, thus protecting professional responsibility.</p> <p>The second one is not appropriate, the AUP should not be distributed without any restriction</p>
36.	FAR	<p>In FAR’s view, approach c described in paragraph 44 is the most appropriate. By including a statement that the report is intended solely for specific users and may not be suitable for other purposes the report can be made more widely available.</p>
37.	FSR	<p>In our view, the third approach is the most practical approach and makes the reader aware that the report is only intended for specific users and may not be suitable for other purposes, which is in our view the most relevant restriction. The other two approaches are in our view too restrictive or too lenient.</p>
38.	IBR-IRE	<p>In our view, the third approach strikes the right balance, being flexible considering the restrictions that might be imposed by laws and regulations in each jurisdiction.</p>
39.	ICAEW	<p><i>Combined answer to question 10 and 11</i></p>

		<p>28. We consider that option (c) requiring the AUP report to include a statement to the effect that the reporting is intended solely for the specific users and may not be suitable for any other purposes is a practical way to manage the risk to the practitioner and can be applied across a broad range of AUP engagements.</p> <p>29. But we also consider that options (a) and (c) are not mutually exclusive and that it is essential that they are not seen as such because in some AUP engagements (a) may be used in conjunction with (c) by practitioners. There should, therefore, be an element of flexibility in that option (c) should be required in any event but that, for example, option (a) may be explored further by practitioners as part of their risk management approach.</p> <p>30. We are not aware of other approaches to this that the IAASB should consider.</p>
40.	ICAG	<p>We are comfortable with the third approach (similar to ISA 800). We do not believe the other two are appropriate as in the first approach (i) an additional requirement is placed on the accountant to monitor who will receive the report and therefore where potential liability will come from. This we believe is unnecessary risk to take on. The accountant should focus on the engagement and not have to worry about risk. In the second approach (ii) with the complete absence of guidance/restriction could lead to a plethora of lawsuits where some inexperienced accountants could fall into significant risks also affecting the profession.</p> <p>Once again, the third approach restricting the report solely for the specific users would reduce risk/ambiguity and leave the distribution of the report to the owners (signatories to the engagement letter).</p>
41.	ICAS	<p>In our view, the third approach, which would require 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, subject to law or regulation of the relevant jurisdiction, is the most appropriate as this offers greatest flexibility.</p>
42.	ICASL	<p>Agree with the Working Group's view of third approach as it mitigating the risk of those who have not agreed to the procedures from misinterpreting the AUP report and allowing more flexibility to meet legal or regulatory requirements for the AUP report.</p>
43.	ICAZ	<p>In our view the first approach mitigates the risk of unintended users misinterpreting the AUP report. However, it would not be appropriate if the AUP report is required to be widely distributed by law or regulation of the particular jurisdiction.</p> <p>The second approach of allowing more flexibility, would lead to a greater risk that the report is distributed and used by parties who have not agreed to the procedures and could misinterpret the results.</p> <p>The third approach proposed by the Working Group is more appropriate for the purposes of AUP engagement, as it provides a balance by addressing the concern regarding unintended parties misinterpreting findings while allowing the AUP report to be made more widely available.</p>
44.	ICPAU	<ul style="list-style-type: none"> • The first approach is the most appropriate. The practitioner should place a restriction to access by any other party. • Both parties update themselves regarding the subject matter and agree on all the parties that would access the Agreed Upon Procedures report either directly or indirectly.
45.	ISCA	NO RESPONSE

46.	KICPA	<p>We believe the third approach would be most appropriate. As mentioned in the paragraph 45, the third approach achieves an appropriate balance between addressing the concern regarding unintended parties misinterpreting findings while allowing the AUP report to be made widely available.</p> <p>The first approach is also considered appropriate as well, to mitigate the risk of those who have not agreed to the procedures from misinterpreting the AUP report, as it could be seen as a minimum requirement to include a statement to whom the AUP report should be restricted.</p>
47.	MICPA	<p>The Institute agrees with the Working Group that the third approach is the most appropriate as it achieves an appropriate balance between addressing the concern regarding unintended parties misinterpreting findings while allowing the AUP report to be made more widely available.</p>
48.	NASBA	<p>The Paper states that ISRS 4400 requires that the practitioner's report include a statement that the AUP report is restricted to "those parties that have agreed to the procedures to be performed." The Working Group provided three approaches to address the needs of those agreeing to the procedures while mitigating the risks of misinterpretation of the AUP report by others.</p> <p>We prefer the third approach listed in the Paper as it is not practical for a practitioner to control the distribution of the report. The intended use of the AUP report should be restricted to the parties that have a clear understanding of the AUP procedures and the conditions of the engagement to mitigate the risk of unintended reliance on the adequacy of the procedures performed by the practitioner.</p> <p>This situation could also occur in practice when an engaging party requests that a practitioner perform specific procedures that the engaging party believes will be acceptable to a specific user but there is no communication with the user. The user may not accept the report as meeting its needs, however, this would ultimately be a matter for discussion between the engaging party and the practitioner. Accordingly, we believe the AUP report can be restricted to use of a specific party without communication with that party provided a legitimate purpose for requesting the AUP report exists.</p>
49.	SAICA	<p>85. In the SAICA survey, survey respondents were asked to rate the three approaches described in paragraph 44 of the Discussion Paper. The majority of the survey respondents indicated that the approach suggested in paragraph 44 (c) of the Discussion Paper would be the most appropriate approach (as presented below). These survey results must be read in conjunction with the results to question 9 which indicated that 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 letter.</p> <p>86. Reasons provided by the group of survey respondents who selected the approach suggested in paragraph 44 (c) included the following:</p> <ul style="list-style-type: none"> a. For all practical purposes, it is extremely difficult for the practitioner to restrict the distribution of the AUP report (as has also been highlighted above). The most effective way to mitigate the risk of undue reliance and misinterpretation of the AUP report is to articulate it in a manner to enable the reader to clearly understand the purpose of the engagement, the users it is intended for and the nature and extent of the work performed. b. This option is seen to strike the appropriate balance between mitigating the risk of those who have not agreed to the procedures from misinterpreting the AUP report while allowing more flexibility to meet legal or regulatory requirements for the AUP report to be made more widely available³⁸.

		<p>87. 54% of survey respondents found the approach suggested in paragraph 44 (b) of the Discussion Paper to be the least desirable option. Reasons provided were as follows:</p> <ul style="list-style-type: none"> a. Any voluntary agreement could lead to disagreement between the parties at a later stage; b. Voluntary agreements may not be accepted by third parties; and c. This is considered to be a very informal approach which is open to interpretation. This may result in inconsistency in applying the requirements in practice, which is not desirable. <p>88. A further perspective that the Working Group may wish to consider relates to the suggested phrase in paragraph 44(c) of the Discussion Paper that the report “may not be suitable for any other purposes.” This implies that there could be circumstances under which the report could be suitable; circumstances which the practitioner may not necessarily have anticipated or intended. A more prudent approach would be to state that the AUP report “is not suitable for any other purposes”, or “should not be relied upon other than for its intended purpose”.</p>
50.	SAIPA	As per our response to Q9 above flexibility should be made for the practitioner to use a disclaimer. Option C is preferred and we are in agreement with the format as contained in ISA800. We are however concerned with the statement in option C “and may not be suitable for any other purposes” SAIPA recommends that the Working Group considers rephrasing this statement.
51.	SMPC	<p><i>Combined answer to question 10 and 11</i></p> <p>We agree with the Working Group’s view that the third approach achieves an appropriate balance between addressing the concern regarding unintended parties misinterpreting findings, while allowing the AUP report to be made more widely available. In our view, this would be a suitable solution that addresses the practical demands of clients, avoids misinterpretation of the AUP report and clearly segregates the responsibilities of the practitioner, client and user of the report.</p> <p>The SMPC is not aware of other approaches to this that the Working Group should consider.</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	Disclosure should be related to the context and jurisdiction related to the AUP report. It would be preferable for both the client and the EnviroReady Report agree to release the content of the Report to a third party, and where the third party has a clear understanding of what the Report is AND what it is not. If either the client or the EnviroReady Report Accountant is required by law to disclose the content of the Report, every effort to advise the other person should be undertaken.
54.	ANA	<p>Restrict the AUP reports to the pre-specified users only. This should be applicable for the multi-scope activities as well. Q10</p> <p>Restrict the AUP reports to the pre-specified users only. As the report is in response to the specific terms of engagement, we recommend that the terms of engagements by the stakeholders should be reproduced as an enclosure to the report.</p> <p>The fundamental question is about the liability of the practitioner to the third party who relies upon the report.</p> <p>It is not possible to track where the report is circulated.</p>

		The best safeguard for the practitioner is to address the report and make proper disclosures in it relating to the AUP in terms of independence, scope, findings, etc.
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