

Mapping of Extant ISRS 4400 to Working Draft of Proposed ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*

	Extant ISRS 4400	Para. Ref. in Agenda Item 5-A	Notes
	Introduction		
1	The purpose of this International Standard on Related Services (ISRS) is to establish standards and provide guidance on the auditor's professional responsibilities when an engagement to perform agreed-upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.	1 and 2	Consistent with the project proposal, extant paragraph 1 is significantly redrafted to address AUP engagements on financial and non-financial information.
2	This ISRS is directed toward engagements regarding financial information. However, it may provide useful guidance for engagements regarding non-financial information, provided the auditor has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base findings. Guidance in the International Standards on Auditing (ISAs) may be useful to the auditor in applying this ISRS.		This extant paragraph is no longer needed as the proposed scope address financial and non-financial information.
3	An engagement to perform agreed-upon procedures may involve the auditor in performing certain procedures concerning individual items of financial data (for example, accounts payable, accounts receivable, purchases from related parties and sales and profits of a segment of an entity), a financial statement (for example, a balance sheet) or even a complete set of financial statements.	A1	The examples are expanded to include financial and non-financial information on which an AUP engagement may be performed.

	Objective of an Agreed-Upon Procedures Engagement		
4	The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings.	8	The objective is redrafted. To clarify the phrase “the entity and any appropriate third parties”, the Task Force has defined the various parties involved in an AUP engagements and set out the practitioner’s responsibilities relating to each party in the Working Draft of proposed ISRS 4400 (Revised). Please see Section 3 of Agenda Item 5.
5	As the auditor simply provides a report of the factual findings of agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor’s work.	4, 5 and A2	This extant paragraph is redrafted to highlight the value, and clarify the nature, of an AUP engagement.
6	The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.		Consistent with the project proposal, the AUP report may be provided to a party who is a non-signatory to the engagement agreement. This extant paragraph is not carried forward in the Working Draft of proposed ISRS 4400 (Revised).
	General Principles of an Agreed-Upon Procedures Engagement		
7	The auditor should comply with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants. Ethical principles governing the auditor’s professional responsibilities for this type of engagement are: (a) Integrity; (b) Objectivity; (c) Professional competence and due care;	14-15, A5-A8	The material has been updated to reflect the restructured IESBA Code and discussions with Ms. Sylvie Soulier of the IESBA – please see Section 4 of Agenda Item 5.

	<p>(d) Confidentiality;</p> <p>(e) Professional behavior; and</p> <p>(f) Technical standards.</p> <p>Independence is not a requirement for agreed-upon procedures engagements; however, the terms or objectives of an engagement or national standards may require the auditor to comply with the independence requirements of IFAC’s Code of Ethics for Professional Accountants. Where the auditor is not independent, a statement to that effect would be made in the report of factual findings.</p>		
8	The auditor should conduct an agreed-upon procedures engagement in accordance with this ISRS and the terms of the engagement.	10-12	Redrafted in the clarity format.
	Defining the Terms of Engagement		
9	<p>The auditor should ensure with representatives of the entity and, ordinarily, other specified parties who will receive copies of the report of factual findings, that there is a clear understanding regarding the agreed procedures and the conditions of the engagement. Matters to be agreed include the following:</p> <ul style="list-style-type: none"> • Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed. • Stated purpose for the engagement. • Identification of the financial information to which the agreed-upon procedures will be applied. 	17-18 and A29	<p>Consistent with the project proposal, the Task Force developed preconditions for an AUP engagement in para. 17 of the Working Draft of proposed ISRS 4400 (Revised). The matters to be agreed in the terms of engagement in para. 18 of the Working Draft of proposed ISRS 4400 (Revised) includes the matters in the extant paragraph as well as relevant preconditions (e.g., acknowledgement by the engaging party of the appropriateness of the procedures).</p> <p>Other significant changes include:</p> <ul style="list-style-type: none"> • Avoiding the phrase “no assurance is provided” in para. 18(a) of the Working Draft of proposed ISRS 4400 (Revised) as readers take assurance (as the term is used

	<ul style="list-style-type: none"> • Nature, timing and extent of the specific procedures to be applied. • Anticipated form of the report of factual findings. • Limitations on distribution of the report of factual findings. When such limitation would be in conflict with the legal requirements, if any, the auditor would not accept the engagement. 		<p>in everyday language) from an AUP engagement even though the practitioner does not provide assurance (as the term is used in IAASB pronouncements). The Task Force is of the view that it is clearer to simply state “procedures to be performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or assurance conclusion.”</p> <ul style="list-style-type: none"> • Adding a reference to the practitioner’s expert to para. 18(f) of the Working Draft of proposed ISRS 4400 (Revised) to address the use of a practitioner’s expert. • Moving the limitations on distribution of the report to an application paragraph. Para. A29 of the Working Draft of proposed ISRS 4400 (Revised) provides guidance for the practitioner to consider whether to include a restriction on use or distribution of the report.
10	<p>In certain circumstances, for example, when the procedures have been agreed to between the regulator, industry representatives and representatives of the accounting profession, the auditor may not be able to discuss the procedures with all the parties who will receive the report. In such cases, the auditor may consider, for example, discussing the procedures to be applied with appropriate representatives of the parties involved, reviewing relevant correspondence from such parties or sending them a draft of the type of report that will be issued.</p>	A12	<p>This extant paragraph is included as one of a number of examples of how the practitioner may determine that the intended user has a clear understanding of the procedures to be performed even though the intended user is not a party to the engagement agreement.</p>

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11	<p>It is in the interests of both the client and the auditor that the auditor sends an engagement letter documenting the key terms of the appointment. An engagement letter confirms the auditor's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the auditor's responsibilities and the form of reports to be issued.</p>	20	<p>Consistent with recent IAASB pronouncements reflecting good practices, para. 20 of the Working Draft of proposed ISRS 4400 (Revised) requires the agreed terms of the engagement to be recorded in writing.</p>
12	<p>Matters that would be included in the engagement letter include the following:</p> <ul style="list-style-type: none"> • A listing of the procedures to be performed as agreed upon between the parties. • A statement that the distribution of the report of factual findings would be restricted to the specified parties who have agreed to the procedures to be performed. <p>In addition, the auditor may consider attaching to the engagement letter a draft of the type of report of factual findings that will be issued. An example of an engagement letter appears in Appendix 1 to this ISRS.</p>	17-18 and A29	<p>Please see the notes on extant para. 9.</p>
	<p>Planning</p>		
13	<p>The auditor should plan the work so that an effective engagement will be performed.</p>	A24	<p>In the Task Force's view, an effective AUP engagement would result from complying with the requirements in the Working Draft of proposed ISRS 4400 (Revised). There is no need to mandate planning for effectiveness. Instead, para. A24 of the Working Draft of proposed ISRS 4400 (Revised) provides guidance that the practitioner may consider the resources necessary to carry out the procedures as agreed in the terms of the engagement.</p>

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	Documentation		
14	The auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the engagement was carried out in accordance with this ISRS and the terms of the engagement.	27-28	Consistent with the project proposal and recent IAASB pronouncements reflecting good practices, the Task Force developed more extensive documentation requirements (derived from para. 9 and A12 of ISA 230 ¹). The redrafted wording also avoid the term “evidence” as this term is normally associated with assurance engagements.
	Procedures and Evidence		
15	The auditor should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings.	22	Redrafted to avoid the use of the term “evidence” as this term is normally associated with assurance engagements.
16	<p>The procedures applied in an engagement to perform agreed-upon procedures may include the following:</p> <ul style="list-style-type: none"> • Inquiry and analysis. • Recomputation, comparison and other clerical accuracy checks. • Observation. • Inspection. • Obtaining confirmations. <p>Appendix 2 to this ISRS is an example report which contains an illustrative list of procedures which may be used as one part of a typical agreed-upon procedures engagement.</p>	A15	This extant guidance is redrafted in the context of avoiding the use of terms that are unclear, misleading or subject to varying interpretations.
	Reporting		

¹ ISA 230, *Audit Documentation*

17	<p>The report on an agreed-upon procedures engagement needs to describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.</p>	16(c)-(e) and 25(k)	<p>Para. 25(k) of the Working Draft of proposed ISRS 4400 (Revised) addresses the purpose of the engagement. Para. 17(c)-(d) set out the preconditions for an AUP engagement:</p> <ul style="list-style-type: none"> • The findings are to be described objectively; and • The AUP and findings are to be described in terms that are clear, not misleading and not subject to varying interpretations.
18	<p>The report of factual findings should contain:</p> <p>(a) Title;</p> <p>(b) Addressee (ordinarily the client who engaged the auditor to perform the agreed-upon procedures);</p> <p>(c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;</p> <p>(d) A statement that the procedures performed were those agreed upon with the recipient;</p> <p>(e) A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;</p> <p>(f) When relevant a statement that the auditor is not independent of the entity;</p> <p>(g) Identification of the purpose for which the agreed-upon procedures were performed;</p> <p>(h) A listing of the specific procedures performed;</p>	25 and A29-A30	<p>This extant paragraph has been significantly redrafted. The changes and the reasons therefor are as follow:</p> <ul style="list-style-type: none"> • Extant para. 18(d) and (e) are replaced with proposed para. 25(f)(i) and (ii). The revised paragraphs are intended to provide a better description of the value and limitations of an AUP engagement; • Extant para. 18(j) is replaced with proposed para. 25(i). The proposed paragraph avoids the phrase “no assurance is expressed” for the same reasons discussed in the note to extant para. 9 above. • Extant para. 18(l) is replaced with revised para. 25(k) and A29 for the same reasons discussed in the note to extant para. 9 above. • Extant para. 18(m) is replaced with para. A30. A statement that the AUP report “...does not extend to the entity’s financial

	<p>(i) A description of the auditor’s factual findings including sufficient details of errors and exceptions found;</p> <p>(j) Statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;</p> <p>(k) A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;</p> <p>(l) A statement that the report is restricted to those parties that have agreed to the procedures to be performed;</p> <p>(m) A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity’s financial statements taken as a whole;</p> <p>(n) Date of the report;</p> <p>(o) Auditor’s address; and</p> <p>(p) Auditor’s signature.</p> <p>Appendix 2 to this ISRS contains an example of a report of factual findings issued in connection with an engagement to perform agreed-upon procedures regarding financial information.</p>		<p>statements taken as a whole” may not be relevant given that the AUP engagement may have no relation to the entity’s financial information. Therefore, this extant paragraph is moved to application material.</p> <p>Also, a reference to ISQC 1² has been added to the AUP report (similar to para. 69(i) of ISAE 3000³).</p>
	<p>Public Sector Perspectives</p>		
<p>1</p>	<p>The report in a public sector engagement may not be restricted only to those parties that have agreed to the</p>		<p>The fact that a report in a public sector engagement may not be restricted is addressed.</p>

² ISQC 1, *Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

³ ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

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	procedures to be performed, but made available also to a wider range of entities or people (for example, a parliamentary investigation about a specific public entity or governmental department).		Please see Section 5.8 of Agenda Item 5 for more details on how this matter is addressed.
2	It also has to be noted that public sector mandates vary significantly and caution has to be taken to distinguish engagements that are truly “agreed-upon procedures” from engagements that are expected to be audits of financial information, such as performance reports.	29 and A35	The caution to distinguish engagements that are truly “agreed-upon procedures” from other engagements (such as providing recommendations) is reflected in the requirement for the AUP engagement report to be clearly distinguished – please also see Section 5.9 of the Agenda Item 5.
	Appendix 1		
	Example of an Engagement Letter for an Agreed-Upon Procedures Engagement	Appendix 1	The extant illustrative letter has been redrafted to incorporate wording from some of the more recent standards (e.g., ISRS 4410 ⁴).
	Appendix 2		
	Example of a Report of Factual Findings in Connection with Accounts Payable	Appendix 2	The Task Force developed 2 new illustrative AUP reports. The second illustrative report addresses circumstances where: <ul style="list-style-type: none"> • Exceptions were found; • A practitioner’s expert is used; • There is a restriction on the use or distribution of the report; and • The practitioner is not independent.

⁴ ISRS 4410, *Compilation Engagements*