

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** New York, United States of America  
**Meeting Dates:** September 11–12, 2018

## Agenda Item H

### ISRS 4400 (Revised), *Agreed-Upon Procedures* – Cover and Report Back

#### Objectives of Agenda Item

1. The objective of this agenda item is to obtain Representatives' and Observers' views on the proposed ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*.

#### Project Status and Timeline

2. The Agreed-Upon Procedures (AUP) project was last discussed at the September 2017 CAG meeting when the AUP Task Force ('Task Force') presented a project proposal to revise existing ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, for the IAASB's approval. The report back for that discussion is included in **Appendix 1**.
3. The following lists the activities relating to the AUP project since the CAG September 2017 meeting.

##### *IAASB Discussions*

4. The IAASB approved the project proposal to revise ISRS 4400 in September 2017.
5. The IAASB discussed issues relating to the revision of ISRS 4400 at its March 2018 meeting and its August 2018 teleconference. A working draft of proposed ISRS 4400 (Revised) was presented at the March 2018 meeting and made available, for reference purposes, at the August 2018 teleconference.
6. Appendix 2 to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

##### *Task Force Meetings and Teleconferences*

7. Since September 2017, the Task Force held four physical meetings and three teleconferences to develop proposed ISRS 4400 (Revised).

##### *Coordination with Other IAASB Task Forces and the IESBA*

8. The Chair of the Task Force had a teleconference with the Chair of the ISQC Task Force, Ms. Karin French, on July 16, 2018 to obtain her views on how to deal with quality control in the proposed draft of proposed ISRS 4400 (Revised).
9. In the development of the requirements and application material related to the relevant ethical requirements, the Task Force liaised with the IESBA Technical Director, IESBA Deputy Director and the IESBA member responsible for coordination with the IAASB (Ms. Sylvie Soulier).

### Outreach

10. The Task Force held a teleconference with staff of the Institute of Chartered Accountants of England and Wales (ICAEW) working with government entities on the use of AUP engagements in relation to the need for accountability around funding and grants. The issues identified by ICAEW staff are consistent with those identified by respondents to the Discussion Paper.
11. In June 2018, the Task Force had a meeting with the IFAC Small and Medium Practices Committee's International Rapid Response Task Force (IRRTF) to discuss certain aspects of proposed ISRS 4400 (Revised).

### **Purpose of the September 2018 CAG Discussion of Proposed ISRS 4400 (Revised)**

12. The Task Force is presenting the Exposure Draft of proposed ISRS 4400 (Revised) for the IAASB's approval at the September 2018 meeting. CAG Representatives and Observers are asked for their views on all aspects of the Exposure Draft.

### **Matters for CAG Consideration**

13. The CAG Representatives and Observers are asked to read **Agenda Item H.1** and provide views on the Matters for CAG Consideration included therein.
14. The Task Force also welcomes any other comments on proposed ISRS 4400 (Revised) presented in **Agenda Items H.1 and H.2**.

### **Material Presented – IAASB CAG Papers**

Agenda Item H.1	Issues and Discussion
Agenda Item H.2	Proposed ISRS 4400 (Revised) – Requirements
Agenda Item H.3	Proposed ISRS 4400 (Revised) – Application Material

### **Material Presented – IAASB CAG Reference Paper**

Mapping of extant ISRS 4400 to proposed ISRS 4400 (Revised)

**ISRS 4400 (Revised), Agreed-Upon Procedures – Report Back**

**Feedback - What Did We Hear Last Time We Met?**

Extracts from the minutes of the September 2017 IAASB CAG meeting, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below. References have been updated in accordance with proposed ISRS 4400 (Revised):

- **Agenda Item H.2** – Requirements
- **Agenda Item H.3** – Application material

Representatives' Comments	Task Force/IAASB Response
GENERAL	
<p>Ms. McGeachy noted that this project is very important for SMPs given the increased audit thresholds which prompt small and medium entities to look for alternative services to an audit. She also noted that the SMPC will publish a publication to raise awareness on AUP engagements later in 2017.</p>	<p>Support noted.</p>
<p>Mr. Hansen noted that users may assume that the practitioner is independent when no statement on independence is included in the report of factual findings. He therefore suggested to include such a statement when a practitioner is not independent. Ms. Weng noted that practitioners should always be independent when performing an AUP engagement and that, when the practitioner is not independent, the practitioner should explain why.</p>	<p>Point noted. The latest draft of ISRS 4400 (Revised) requires the AUP report to identify the relevant ethical requirements, including a statement as to whether the relevant ethical requirements contain independence requirements pertaining to independence and whether the practitioner is, or is not, independent.</p>
<p>Mr. Bradbury noted that the comment letter from the European Commission (EC) was written at a very high level and therefore encouraged the AUP WG to reach out the EC to understand their needs as the EC is one of the biggest users of AUP reports in the world. Ms. Robert, Mr. Salole and Prof. Schilder agreed.</p>	<p>Prof. Schilder noted that the EC presented to the Board in March 2015 and that the AUP WG will continue to reach out to key stakeholders, including the EC.</p>
<p>Mr. Milholland questioned whether this project will lead to a revised AUP standard and whether there are other options available to address the identified matters.</p>	<p>Mr. Salole explained that the standard is out of date and needs to be modernized to respond to current needs from stakeholders and promote consistent interpretation and application. He furthermore noted that the standard is not in the clarity format which confuses some stakeholders. Because of</p>

Representatives' Comments	Task Force/IAASB Response
	<p>these reasons the AUP WG is of the view that no other vehicle is appropriate to address the matters identified. Prof. Schilder agreed and added that the outcome of the Discussion Paper clearly supports revising the standard. He also noted that, given the clear direction that was given by the respondents to the Discussion Paper, the AUP WG may be able to complete the project faster than proposed.</p>
<p>Mr. Dalkin noted that the United States has split their AUP standard into two standards—one standard requires management assertions and the other standard not.</p>	<p>Point noted.</p>
<p>Ms. Robert noted that integrating professional skepticism, which is part of project proposal, may be a bit contentious.</p>	<p>Point noted. Currently, professional skepticism is only referred to in standards dealing with audit and assurance engagements. Consistent with the restructured IESBA Code, no requirements and application material on professional skepticism are included in the latest draft of ISRS 4400 (Revised).</p>
<p>PIOB REMARKS</p>	
<p>Mr. Holm supported the comments made but questioned what the practitioner's responsibility is with respect to fraud and non-compliance with laws and regulations in an AUP engagement. He suggested that these topics should also be addressed when revising the standard.</p>	<p>Point taken. The latest draft of ISRS 4400 includes a requirement regarding the practitioner's responsibility is with respect to fraud and non-compliance with laws and regulations in an AUP engagement (paragraph 7)</p>

**Project Details and History**

**Project: ISRS 4400 (Revised)**

Link to IAASB Project Page: [Agreed-Upon Procedures](#)

**Task Force Members**

The IAASB's ISRS 400 (Revised) Task Force comprises:

- Ron Salole, IAASB Member and Task Force Chair
- Chuck Landes, IAASB Member
- Isabelle Tracq-Sengeissen, IAASB Member
- Imran Vanker, IAASB Member
- Katharine Bagshaw, International Federation of Accountants Small- and Medium-Sized Practices Committee Member (correspondent member)

**Summary**

	<b>IAASB CAG Meeting</b>	<b>IAASB Meeting</b>
Information Gathering	September 2015 March 2016	March 2015 June 2015 March 2016 June 2016 September 2016
Project Proposal	September 2017	September 2017
Developing Exposure Draft		March 2018

**IAASB CAG Discussions: Detailed References**

Information Gathering	<p><u>September 2015</u></p> <p>See IAASB CAG meeting material (Agenda Item C) and meeting minutes (Agenda Item A):</p> <p><a href="https://www.iaasb.org/cag/meetings/new-york-usa-0">https://www.iaasb.org/cag/meetings/new-york-usa-0</a></p> <p><u>March 2016</u></p> <p>See IAASB CAG meeting material (Agenda Item K) and meeting minutes (Agenda Item A)</p> <p><a href="https://www.iaasb.org/cag/meetings/paris-france">https://www.iaasb.org/cag/meetings/paris-france</a></p>
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Project Proposal	<p><u>September 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item F) and meeting minutes (Agenda Item A)</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</a></p>
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