

**Draft Minutes of the 107th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on August 27, 2019 in Teleconference**

Voting Members

Present: Tom Seidenstein (Chairman)
Fiona Campbell (Deputy Chair)
Chun Wee Chiew
Julie Corden
Robert Dohrer
Marek Grabowski
Kai Morten Hagen
Len Jui
Sachiko Kai
Kai-Uwe Marten
Lyn Provost
Rich Sharko
Roger Simnett
Isabelle Tracq-Sengeissen
Eric Turner
Imran Vanker

Apologies: Karin French
Fernando Ruiz Monroy

Technical Advisors

Helene Agélie (Mr. Hagen)
Sara Ashton (Ms. French)
Vivienne Bauer (Mr. Monroy)
Nicolette Bester (Mr. Vanker)
Wolfgang Böhm (Mr. Marten)
Melissa Bonsall (Ms. Corden)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Rene Herman (Mr. Simnett)
Susan Jones (Mr. Jui)
Jamie Shannon (Mr. Sharko)
Sylvia van Dyk (Ms. Provost)
Kohei Yoshimura (Ms. Kai)
Denise Weber (Ms. Campbell)
Hiram Hasty (Mr. Dohrer)
Josephine Jackson (Mr. Grabowski)

Non-Voting Observers

Present: James Dalkin (IAASB Consultative Advisory Group (CAG) Chairman), Yoshida Norihiro (Japanese Financial Services Authority)

Public Interest Oversight Board (PIOB) Observers

Present: Markus Grund

IAASB Staff

Present: Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Armand Kotze, Phil Minnaar, Joy Thurgood, Hanken (Jane) Talatala, Jasper van den Hout

Chi Ho Ng (Auditing and Assurance Standards Board Canada (AASB))

IAASB agenda materials referred to in these minutes can be accessed at the [August 27, 2019 IAASB Teleconference](#). These minutes are a summary of the decisions made at the August 27, 2019 IAASB Teleconference, in light of the issues and recommendations in the agenda material put forth by the ISA Agreed-upon Procedures (AUP) Task Force (the Task Force) and Staff supporting the project. These recommendations are made through consideration of previous discussions of the Board and its CAG and feedback from stakeholders through outreach activities.

1. Welcome

Mr. Seidenstein welcomed all participants to the teleconference.

2. Proposed ISRS 4400 (Revised),¹ Agreed-Upon Procedures Engagements

Mr. Turner noted that the focus of the teleconference was to consider key proposals in relation to professional judgment and independence during the performance of Agreed Upon-Procedures (AUP) engagements.

PROFESSIONAL JUDGMENT

The Board broadly agreed with the intent of the Task Force to clarify that the practitioner exercises limited professional judgment when performing or executing the actual procedures during an AUP engagement. However, some members of the Board noted their disagreement with the proposed wording of paragraph 18,² including the related application material, which suggests that professional judgment is '*suspended*' or '*prohibited*' when performing such procedures. The relevant Board members expressed concern that this notion appears unreasonable in the context of an engagement performed by a professional accountant. In addition, the Board expressed concern with specific wording or terminology that were proposed in the application material:

- Paragraph A14: '*As there are no alternative courses of action in performing the agreed-upon procedures...*' (emphasis added). Some Board members questioned whether this statement is appropriate, noting that, for example, any procedure is likely to at least have two outcomes, or different scenarios may be encountered during the performance of a procedure.
- Paragraph A14: '*...the performance of agreed upon-procedures requires no professional judgment. However, the practitioner applies relevant training, knowledge and experience throughout the agreed-upon procedures engagement.*' The Board expressed concern that the two sentences appear to be in conflict, as the concepts of '*relevant training, knowledge and experience*' is part of the definition of professional judgment.

¹ International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements

² Proposed wording of paragraph 18: '*The practitioner shall apply professional judgment in an agreed upon procedures engagement except in the performance of the procedures as agreed upon in the terms of the engagement*'

The Board expressed its support to retain the guidance that was prepared to explain the differences between AUP engagements and assurance engagements. However, mixed views were expressed as to whether this material should be included in an appendix within the standard, or alternatively, in non-authoritative guidance. Some Board members also provided editorial suggestions.

INDEPENDENCE - PRECONDITION

The Board considered the Task Force's proposal requiring the practitioner to discuss with the engaging party whether independence may be appropriate in the circumstances of the engagement. Although the views expressed were mixed, the Board highlighted the following concerns:

- The proposed requirement is not practicable as there are no generally accepted criteria to determine or measure independence against.
- Under this proposal, the decision of whether independence may be appropriate rests with the engaging party. The Board questioned whether the engaging party may always be sufficiently knowledgeable to make such a determination. Moreover, there is no obligation on the practitioner to determine whether independence may be appropriate.
- Some Board members expressed concern with the proposed wording of paragraph A19b, noting that it may imply that independence would always be appropriate for an agreed-upon procedures engagement when it is performed by a practitioner who has performed assurance engagements for the engaging party.³

INDEPENDENCE - DISCLOSURE

In circumstances when the practitioner is not required to be independent, the Board agreed with the proposal to require '*limited*' disclosures, i.e. stating that the practitioner is not required to be independent and accordingly, makes no assertion regarding independence. However, some Board members expressed concern that the latter part of the statement about not making an assertion regarding independence could be confusing and potentially misleading. Furthermore, some Board members questioned whether the disclosures are appropriate in circumstances where the practitioner has in fact determined independence, or alternatively, is aware that particular independence requirements may not be complied with.

Some Board members questioned whether it is appropriate to reference '*objectivity*' in the practitioner's report when it only represents one of the elements of the fundamental principles of the International Code of Ethics for Professional Accountants (the Code) of the International Ethics Standards Board for Accountants (IESBA). In addition, some Board members expressed concern that the absence of specific or proposed wording may lead to inconsistency in practice, while recognizing that objectivity is not necessarily defined in the same manner in all jurisdictions.

In progressing the standard, the Board asked the Task Force to continue its coordination efforts with IESBA in relation to independence, as appropriate.

IAASB CAG CHAIR'S REMARKS

Mr. Dalkin acknowledged the intricacies around the introduction of independence requirements, specifically recognizing that there is no recognized framework to measure or determine independence for such

³ Proposed wording of paragraph A19b of the Standard, as included in the [Issues Paper](#)

engagements. As a possible solution, Mr. Dalkin suggested that the IAASB may wish to reconsider its position by requiring independence as a precondition for AUP engagements (as is the case in the United States regulatory environment). In doing so, coordination efforts with IESBA could result in a suitable criteria or framework for independence purposes.

PIOB OBSERVER REMARKS

Mr. Grund emphasized that a statement to the effect that '*the practitioner has not assessed independence*' is not helpful and is not in the public interest. Mr. Grund further highlighted the importance of transparency in relation to disclosures as to whether the practitioner is, or is not, independent.

3. Next Meeting

The next IAASB meeting is scheduled for September 16 – 20, 2019 in New York, USA

4. Closing Remarks

Mr. Seidenstein thanked the IAASB members, technical advisors and Staff.