Task Force Analysis of Due Process Related to Re-Exposure

Overview

1. If the Board votes to approve proposed ISRS 4400 (Revised),\(^1\) then a separate affirmative vote of the Board is required on whether the standard should be re-exposed. Based on the changes proposed in Agenda Item 4-A, and prior to any changes proposed at the December 2019 IAASB meeting, the Agreed-Upon Procedures (AUP) Task Force (the Task Force) believes that proposed ISRS 4400 (Revised) does not warrant re-exposure.

2. This paper sets out the Task Force’s considerations of the provisions of the due process related to whether an approved standard need to be re-exposed.

What Does the Due Process Require?

3. The matter of re-exposure is addressed in the IAASB’s Due Process and Working Procedures, paragraphs 23 and A40-A42. The principal consideration in the due process is “whether there has been substantial change to the exposed document such that re-exposure is necessary.” The related working procedures, which support the due process, include three examples of situations that may constitute potential grounds for a decision to re-expose:

   (a) Substantial change to a proposal arising from matters not aired in the exposure draft (ED) such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion;

   (b) Substantial change arising from matters not previously deliberated by the IAASB; or

   (c) Substantial change to the substance of a proposed international pronouncement.

The Task Force notes that there will almost always be changes to standards between an ED and final standard to be appropriately responsive to comments received on exposure – and this is true for proposed ISRS 4400 (Revised).

Task Force Views on Whether the Changes Necessitate Re-Exposure

4. In forming its view on re-exposure, the Task Force has considered the reasons for re-exposure as set out above.

5. To facilitate the IAASB’s consideration of the need for re-exposure, Agenda Item 4-D shows the marked changes from the ED.

6. As set out in the project proposal\(^2\), the objectives of the project were to:

   (a) Redraft the standard using the clarity drafting conventions;

   (b) Explain the role of professional judgment in an AUP engagement;

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\(^1\) Proposed International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagement

\(^2\) Paragraph 13 of the Agreed-Upon Procedures Project Proposal
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(c) Clarify what the independence requirements are when undertaking an AUP engagement;
(d) Make clear that non-financial information is within the scope of the standard;
(e) With regard to the AUP report, require clearer terminology in describing procedures and reporting factual findings, including the format of the AUP report;
(f) Clarify the standard in relation to the use of a practitioner’s expert;
(g) Clarify how recommendations made in conjunction with AUP engagements should be presented; and
(h) Clarify AUP report restrictions.

7. The key elements addressed in the ED of ISRS 4400 (Revised)³ (ED-4400) were highlighted in the Explanatory Memorandum to ED-4400. These key elements were consistent with the project proposal and gave effect to the identified objectives of the project.

8. The Task Force considered the major changes (as shown in Agenda Item 4-D) since ED-4400 and made the following observations:

(a) There are no substantial changes to the key elements of the project. All the key elements of ED-4400 have been retained. Some of these elements have been modified and clarified in response to comments received on exposure, but have not altered the key elements of the proposed revised ISRS, nor have they resulted in a departure from the objectives of the revision.
(b) No new concepts have been introduced.
(c) The changes to the text post-exposure are in response to feedback from respondents to the ED and do not fundamentally or substantively change the proposals in the ED.

9. Furthermore, the Task Force is of the view that the IAASB will not become aware of any new concerns by re-exposing ISRS 4400 (Revised). In this regard the Task Force notes that issues raised in the Discussion Paper, Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and Implications for the IAASB’s International Standards,⁴ and ED-4400 were of a similar nature.

10. On the basis of the above, the Task Force believes that re-exposure is not necessary. All of the members of the Task Force are in agreement with this conclusion.

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³ Exposure Draft ISRS 4400 (Revised)
⁴ Agreed-Upon Procedures Discussion Paper