Responses to ED–4400
Comments to Q8 ‘AUP Report - Restrictions’
NVivo Report 8A
(FOR REFERENCE)

01_IRBA

- Yes, we support the view that the AUP report should not be restricted as there may be other users who are not signatories to the engagement letter that might have valid reasons to also access the AUP report. Currently, in South Africa AUP reports are provided to a regulator or a financial institution even though these bodies are not signatories to the engagement letter.

- We agree with the wording of paragraph A43 of the ED-4400 that the decision on whether the AUP report should be restricted or not be left to the practitioner to determine, and be consistent with the terms of the engagement.

02_NASBA

No, we believe that the use and distribution of an AUP report should be restricted. A43 states that it is the practitioner who may consider it appropriate to indicate that the AUP report is intended solely for the engaging party and the intended users. The Exposure Draft implies that AUP reports would not be restricted unless the practitioner decides to restrict the report. This position is not in the public interest.

As the exposure draft does not require that the report be restricted to use by the intended parties, we are concerned about the risk of unintended reliance on the adequacy of the procedures performed by the practitioner. Accordingly, when a report is not restricted, we believe the application material in paragraph A43 that the practitioner may indicate in the report that the agreed-upon procedures report is intended solely for the engaging party and the intended users should be a requirement.

03_WB

We agree distribution of the AUP report should not be subject *ex-ante* to the restriction mentioned here. However, the report might contain confidential information which might require restricting the distribution of the AUP report. We note that Para. A13 explicitly mentions objectivity as a “minimum ethical requirement” but does not mention confidentiality. We would encourage the IAASB to affirm the relevance of the fundamental principle confidentiality in the AUP standard.

04_AuAASB

*Restriction on use:*

The AUASB considers that the use of an AUP report should be restricted to parties that have agreed to the procedures performed or have been identified as intended users in the report.

Extant ISRS 4400 required the report to be restricted to parties that have agreed to procedures to be performed. The AUASB acknowledges that it may be unclear as to who those parties are and agrees that it may be impractical to have intended users specifically agree to procedures being performed or be a party to an engagement letter. However, the AUASB considers that intended users should be identified in the report.

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1 Exposure Draft International Standard on Related Services 4400, Agreed-Upon Procedures Engagements
The existing Australian AUP standard requires a statement that the use of the AUP 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.

The AUASB also points out that there is a difference between restriction of use and restriction of distribution. The AUASB, when they last revised the Australian AUP standard, made a distinction between the use of an AUP report and distribution of such a report. This distinction was deliberately included in the requirements of the Australian standard. Paragraph 42/ASRS 4400 specifically restricts the use of the report 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….’. Reliance on that report is effectively restricted to the intended users identified, even if the report is distributed to other parties. Paragraph 43(n) requires a restriction on use paragraph to be included in an AUP report.

The purpose of this distinction is not to prevent distribution of a report per se, but to deter the use of that report by those other than the intended users who are identified in the terms of engagement. Reliance on the AUP report is effectively restricted to the intended users identified, even if the report is distributed to other parties. Restriction of the distribution of a report is ultimately a risk management decision for the practitioner. We suggest that the IAASB make a similar distinction and paragraph A43 should not refer to restriction on distribution as this is often not practically possible.

05_CAASB

We agree that there should not be a requirement that the AUP report should be restricted to parties to the engagement. Restricting the report would reduce its usefulness as AUP reports are often provided to users such as regulators who are not parties to the engagement.

06_CNCC-CSOEC

We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed.

We believe that paragraph A43 of ED-4400 appropriately addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report. We consider a restriction may be appropriate when the practitioner believes there is a greater risk for users other than the intended users to:

− Misunderstand the agreed-upon procedures or the purpose of the engagement
− Interpret the findings as providing assurance.

In this case, we consider that the context of the AUP should be specified in the engagement letter and in the report.

− Concerning the engagement letter, we suggest adding the following in the last sentence of paragraph 2 of the letter (appendix 1), i.e. “Accordingly, we do not express any opinion or conclusion on the procurement of products, as requested in the context XXX”;
− Concerning the AUP report, we suggest amending
• The first sentence of the AUP reports (illustrations 1 and 2) as follows: “We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products, as requested by donor X of the grant agreement Y”.

• The last sentence of the AUP report (illustrations 1) and the penultimate one (illustration 2) as follows: “Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies in the context described above and may not be suitable for another purpose.”

07_HKICPA

We agree that the AUP report should not be restricted to a party that is not a signatory to the engagement letter. Typically in Hong Kong, an AUP report is submitted to a regulator who would not be a signatory to the engagement letter for compliance reporting purposes.

We welcome the guidance provided by paragraph A43 for practitioner to indicate the restricted distribution or use of the report, which provides flexibility to practitioner in addressing specific nature and/or circumstance of the engagement. The statement would be a useful alert to users or readers and would reduce the risk of unintended misinterpretation of the AUP report by those who are not involved in the engagement.

There may be circumstances where extracts of an AUP report might be included in a public document (e.g. references to part of the procedures performed in the engagement and auditor's findings thereon) without the full AUP report being made available. The inclusion of such extracts may lead to unintended misinterpretation. We would recommend the IAASB to develop additional guidance on practitioner's responsibilities and appropriate action in this regard.

08_IDW

We agree with the IAASB’s approach in paragraphs 30 (m) and A43. The IAASB needs to recognize that there are circumstances around the world in which public institutions require the performance of agreed-upon procedures engagements and that these public institutions might be required by law or regulation to provide these reports to other parties or to make these reports publicly available.

Hence, restricting distribution or use of the report to those who have agreed to the procedures to be performed 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 as proposed in paragraph 30 (m) of the draft. 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 it is particularly appropriate when neither distribution nor use can be restricted.

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. 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.

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. Hence, in line with ISA 800, the only viable option is that which the IAASB has chosen in this draft, in which paragraph 30 (m) requires 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 in accordance with paragraph A43 of the draft.

In the first sentence of paragraph A43, the word “the” prior to “intended users” should be replaced by “other”, since, in line with the usage in ISAE 3000 (Revised), the engaging party is always a – but not necessarily the only – intended user.

09_JICPA

We agree. However, to avoid the report being misinterpreted and misused, we think a warning should be included in the AUP report stating clearly that it is to be used only by those who fully understand the purpose and content of the AUP performed.

10_MAASB

We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed given that paragraphs 22(c) and 30(m) of ED-4400 explain the purpose and intended users of the AUP engagement. The practitioner may also mitigate the risk of unwarranted attention from parties who are not involved in the AUP engagement and have not agreed to the AUP procedures by applying application material A43 which states that the practitioner may consider the appropriateness of indicating that the agreed-upon procedures report is intended solely for the engaging party and the intended users.

11_NBA

We do not agree with this statement. We would rather see the report to be restricted to parties that have agreed to the procedures to be performed. The report is meant for the intended users. The procedures are tailored to the information needs of the intended users and not for others.

We also recognize that some users are completely unknown for the practitioner because for instance they can obtain a report by law. The practitioner should bear no responsibility for use by this group of users. He cannot ascertain for which purposes they wish to use the report, or if they possess the knowledge necessary to understand the results and to use them in an appropriate manner. We recommend to make this distinction in the ED.

12_NBAT

Yes: We do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report.
We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed. As the IAASB has itself acknowledged in the Introduction to ED-4400, AUP reports may often be required to be provided to users (such as regulators) who are not party to the original terms of the engagement. This reality should not be overlooked.

In addition, we support the inclusion of the application guidance in paragraph A43 of ED-4400 which allows practitioners to consider including a statement that the report is intended solely for the engaging party and the intended users, which may be achieved by restricting distribution or use of the agreed upon procedures report, if considered necessary in the circumstances. As A43 is itself largely based on A21 in ISA 800 (Revised), in our view this creates a consistent approach. As an international network of firms, we recognise that the nature of local laws and regulations can result in different practices in terms of distributing these types of reports. We feel that A43 provides the necessary flexibility for practitioners to restrict use or distribution when they feel it is necessary due to local laws and regulations, risk management policies or other reasons.

However, the current wording in A43 implies that restricting use / distribution is the exception to the rule. We feel that restriction on distribution should be the normal situation, but if considered appropriate, the practitioner can decide to remove this restriction. In addition, it may be useful to provide guidance on situations where it is appropriate to not restrict use or distribution.

Based on the nature of the practitioner’s report (i.e. procedures and findings), we agree that the report should not be required to be restricted to parties that have agreed to the procedures to be performed. We believe that report users should be able to determine whether or not the procedures performed by the practitioner are sufficient for their purposes.

Lifting the restrictions in the extant ISRS 4400 improves flexibility and makes sense.

DTTL recognizes the need to provide flexibility around AUP engagements. DTTL agrees that the agreed-upon procedures report should not be required to be restricted to parties that have agreed to the procedures to be performed; however, additional application material is needed to identify circumstances when the practitioner may consider it appropriate to restrict the use of the agreed-upon procedures report. For example, consideration may be given to the following:

- Whether the practitioner considers it appropriate to restrict the use of the agreed-upon procedures report based on the practitioner’s understanding of the intended purpose of the engagement.
- If not restricting the use of the agreed-upon procedures report could increase the risk that the intended users of the report may misunderstand the subject matter that the procedures relate to, the procedures performed, or other information provided.

DTTL recommends modifying paragraph A43 to clarify that the practitioner always has the option to restrict the distribution or use of the agreed-upon procedures report unless restricting the use of the report is precluded by laws or regulations, as shown below:
A43. In addition to the statement required by paragraph 30(m), the practitioner may consider it appropriate to indicate that the agreed-upon procedures report is intended solely for the engaging party and the intended users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the agreed-upon procedures report, unless restricting its use is precluded by laws or regulations of the particular jurisdiction.

17_EYG

We agree with the removal of the requirements to restrict the report and to leave the determination of whether restrictions are necessary to the practitioner in the circumstances of the engagement. However, we do not believe the application material in paragraph A43 is sufficient or useful to assist the practitioner in determining whether restricting the report is appropriate in the circumstances of the engagement. We believe a restriction may be appropriate when the practitioner believes there is a greater risk for users other than the intended users to:

- Misunderstand the agreed-upon procedures or the purpose of the engagement
- Interpret the findings as providing assurance.

In these cases, it is likely in the public interest to restrict the use or distribution of the report.

It would also be useful to indicate in the application material that any report restrictions may be specified in the terms of the engagement or communicated to the engaging party through other means. However, it is important not to imply that restricting the report is subject to negotiation with the engaging party. It is the practitioner’s decision whether to restrict the use or distribution of the report.

18_GTIL

Yes. In our response to the Discussion Paper, we indicated that we supported an approach that would neither require nor preclude the practitioner from including restrictions on the AUP report and that restrictions, if any, would be dealt with by voluntary agreement between the entity and the practitioner rather than be mandated in the standard. As such, we agree with the requirement in paragraph 30 (m) to include in the AUP report a statement that it might not be suitable for another purpose.

We also agree with the inclusion in the application material that it also may be appropriate to indicate that the AUP report is intended solely for the engaging party and the intended users, and that this may be achieved by restricting the distribution or use of the AUP report. However, we note that paragraph A43 only refers to law and regulation in relation to the restriction of the AUP report. Consistent with our response to the Discussion Paper, we would recommend that additional application material is included that provides guidance on matters that the practitioner may want to consider when determining if, and how, to restrict the distribution or use of the AUP report.

19_KS

Yes, we agree. It is common in practice for an AUP report to be provided to (for example) a grant giving body when the practitioner is not reporting to them. Risk management issues arising from providing the report can be dealt with by the inclusion of appropriate wording in the report and the engagement letter regarding the use and distribution of the report and to whom the practitioner does, and does not, owe a duty of care.
We recognise the amendments that the IAASB has included in the ED, to allow for greater flexibility in agreeing the terms of the engagement, acknowledging the practical difficulties that may arise for both the engaging party and the practitioner in agreeing the procedures when there are intended users beyond the engaging party.

We understand that, instead of establishing a requirement to extend the engaging party’s acknowledgement, that the procedures are appropriate for the purpose of the engagement, to cover acknowledgement that the procedures are also appropriate for the purpose of the intended users, the IAASB has included, at A26, guidance regarding actions that the practitioner may take to be satisfied that preconditions are met. The EM describes that these actions may also help the practitioner and engaging party to agree on procedures that are appropriate for the intended users. We are supportive of many of these examples, such as requesting the engaging party to distribute a copy of the anticipated procedures and the form and content of the report to the intended users; to obtain acknowledgement from the intended users of the procedures to be performed and/or to discuss the procedures to be performed with appropriate representatives of the intended user(s), as well as for the practitioner to read correspondence between the engaging party and the intended user(s) if the engaging party is not the (only) intended user. We note that, in accordance with our recommendations above, such actions would be closely aligned with considerations in respect of whether there is a rational purpose to the engagement, which would necessarily involve consideration of the needs of the intended user(s).

However, we also highlight that the guidance appears to place significant responsibility on the practitioner to take steps to ensure that the intended user(s)’ needs are met, such as reviewing correspondence between the engaging party and other intended user(s), which may require the exercise of significant professional judgement on the part of the practitioner as to whether there appears to be mutual agreement and a common understanding. Furthermore, the guidance is unclear as to the extent to which the practitioner is required to identify intended users other than the engaging party and determine that their needs are met, e.g. whether there is an expectation that the practitioner would follow up regarding absence of responses or verify that the engaging party has indeed communicated clearly with such parties. This may be particularly difficult in situations where there will be a broad user group, such as if the entity intends to make the report public by posting it online. Accordingly, to help ensure that there is an appropriate balance of responsibilities, and to acknowledge that it is the engaging party who is ultimately responsible for identifying the intended users, considering their needs and determining the procedures to be performed, we suggest that the requirements at paragraphs 20 and 21 be amended to clarify this. We note that paragraph 22(c), in describing the terms of the engagement, appears to better recognise the ultimate responsibility of the engaging party in this regard.

We also understand that in concluding not to require an extension of the engaging party’s acknowledgement, that the procedures are appropriate, to also cover acknowledgement that the procedures are appropriate for the purpose of the intended users, the IAASB noted that it may not be practicable for the engaging party to “sign off” on the needs of all the intended users. However, we recommend that the application material address obtaining acknowledgment that the procedures are appropriate to the needs of the engaging party and other intended users, from the engaging party, prefaced by “to the best of their knowledge and belief” or similar, or that the practitioner obtain a written representation that the engaging party considered the needs of intended users in determining the procedures.
We note that the standard contemplates the practitioner’s report being made more widely available, e.g. to the general public on a website. In such situations, the engaging party may have difficulty identifying the intended users, and there may be user groups that are not intended users. As a result, it is particularly unclear what the practitioner’s responsibility would be towards such groups. In this regard, we also highlight a lack of clarity in terminology between “users” and “intended users”, as the IAASB appears to use these terms interchangeably. We believe the engaging party should attempt to identify the intended users and determine that the procedures to be performed are expected to meet their needs, but that the standard should clarify that the practitioner does not have a responsibility towards additional users who are not intended users as it may be impracticable to identify such users and consider their needs. We suggest the IAASB explore inclusion of material similar to (although adapted as appropriate given that AUP engagements impart no assurance and the responsibilities of the practitioner for determining the procedures to be performed, and for identifying intended users and considering their needs, are different) that set out in ISAE 3000 (Revised), paragraph A16, which notes that “In some cases, there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people will have access to it. In such cases, particularly where possible users are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and common interests.” This is important given that there is an expectation gap regarding public perceptions as to what an AUP engagement is, what the procedures constitute and whether or not “assurance” is imparted.

In light of the above, we are generally supportive of the IAASB’s rationale for proposing complementary changes to the ED to no longer require the report to be restricted to parties that have agreed to the procedures, on the basis that not all intended users will/are able to formally agree to these or to the terms of the engagement more broadly, and to formally restrict the report may therefore have unintended consequences.

We note that there will be variation in the approach to inclusion of restriction in use and distribution clauses across jurisdictions, as a result of differences in legal and regulatory requirements in this area, as well as accepted practice. We believe the proposed approach to instead guide practitioners to consider including a restriction in use and/or distribution clause, but not to mandate it, is appropriate, as it enables the practitioner to respond as appropriate in the prevailing legal and regulatory environment.

However, as a result of the expectation gap in this area, as to the nature and purpose of AUP engagements, the practitioner’s responsibilities, and the fact that AUP engagements are usually performed for a highly specific purpose, we do have concerns that user groups may obtain and base decisions on AUP reports without understanding the nature or purpose of the engagement, which would clearly not be in the public interest. Accordingly, we suggest that the application material at A43 regarding the practitioner’s consideration as to whether to indicate that the AUP report is intended solely for the engaging party and intended users, e.g. by restricting the use or distribution of the report, be elevated to a requirement, i.e. a requirement for the practitioner to consider including such an indication. We recognise that the introduction of such a requirement would elevate such considerations as compared to the equivalent material in ISA 800 (Revised) or ISAE 3000 (Revised), however, we believe such elevation to be appropriate, given the fact that these are not audit or assurance engagements, i.e. that no conclusion or opinion is expressed, and instead detailed findings are provided with the express intention of enabling the intended users to draw their own conclusions.
In connection with the above, we are also supportive of the requirement, at paragraph 30(m), to identify the purpose of the report and to include a statement that the report may not be suitable for another purpose. (We note that the first reference to “report” in this paragraph should be to “agreed-upon procedures engagement”). This is particularly important if there may not be a formal restriction in use and/or distribution clause in the report.

However, we highlight that this requirement may be derived from ISA 800.A21, Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, in which the equivalent requirement is to include an Emphasis of Matter paragraph to draw users’ attention to the basis of preparation, which is a special purpose framework. Whilst an Emphasis of Matter paragraph is an audit concept and would not be appropriate in an AUP report since it contains no opinion, we suggest that the IAASB enhance the proposed requirement in the ED to help ensure that the statement is sufficiently prominent, e.g. to require a heading, and language that makes clear that this is a “warning”. It may also be helpful for this to be required earlier in the report, before the details of the procedures themselves and the findings thereon.

In addition to the above, the standard makes reference to situations where the engaging party may not be the party that is responsible for the subject matter information, or for the underlying subject matter. It would be helpful for the standard to provide more guidance around such situations, such as assessing whether the practitioner may reasonably expect to receive reliable information and explanations, as well as to consider whether the practitioner will have access to such information and explanations, as part of the preconditions to an AUP engagement. Additionally, it may be helpful to include such situations as an example of when a practitioner may need to exercise professional judgement in determining whether they believe there is a rational purpose to the engagement.

Furthermore, in addressing agreement to the terms of the engagement at paragraph 22, it would be helpful for the ED to include, in the list of required terms of the engagement, acknowledgement by the engaging party to provide information and explanations as required by the practitioner, and unrestricted access to persons at the entity. Although the procedures are clearly defined and agreed, it is still critical that the engaging party acknowledges upfront that they need to provide information and access to the practitioner so that the practitioner can perform the procedures. We refer also to our comment below in the Other Comments section, regarding obtaining written representations in this regard.

21_PKF
We agree that the report should not be restricted to only parties that have agreed to the procedures to be performed, provided that confidentiality of information reported on has not be breached.

We recommend that the standard be amended to clearly note that where information is considered confidential, a restriction on distribution be applied.

22_PwC
In many circumstances, we believe it is appropriate to restrict the distribution or use of the report.

Where the report is intended to be bespoke and for management’s purposes, third-party distribution would generally not be considered appropriate, as the engagement is not designed with a third party in mind.

However, in practice, it is not uncommon that at least certain AUP reports are distributed to regulators and others. In these circumstances, it is not always clear which parties need to “agree” beyond those who are the signatory to the engagement letter. Furthermore, depending on the engagement circumstances, there
may not be a significant risk of the nature of the engagement or report being misinterpreted by those other users – for example, engagements designed by a regulator for which there is an understood framework.

For these reasons, we agree that an outright prohibition on distribution or use to parties other than those who have agreed to the procedures is unduly restrictive. We further believe that consideration of the potential need to distribute the report to others is an important concept to address within the requirements.

We believe the standard would best address these considerations by requiring restriction on distribution or use, unless prohibited by law or regulation from doing so, or as otherwise agreed in the terms of the engagement.

In doing so, we believe it is useful for the standard to encourage more proactive dialogue between the practitioner and the engaging party at the outset of the engagement regarding distribution or use of the report. Paragraph 22 (c) requires that the engagement terms acknowledge the purpose of the engagement and the intended users of the report, as identified by the engaging party. We feel that this requirement could be expanded in order to incorporate consideration of whether, in light of the purpose of the engagement and the intended users, distribution or use of the report beyond the engaging party, is appropriate, and to agree such distribution or use with the engaging party in the terms of the engagement. Additional guidance could be provided to illustrate when restrictions may be important from a public interest perspective - i.e., when the procedures are bespoke and designed to meet a particular information need of the engaging party and could be misinterpreted by others and when extending distribution or use may therefore not be appropriate. Ultimately, the decision on what to agree in the terms of the engagement is a practitioner’s risk management decision.

Further clarification around how classes or groups of users are to be considered by the practitioner may also be helpful. Currently this is only acknowledged within the defined term of “intended users”. For example, the standard could usefully recognise that a regulator or other representative may exist that specify procedures addressing the needs of a class of users, or the industry they represent. We note that the Australian National Standard Setter’s local revision of ISRS 4400 addresses consideration of a group of users, and suggest this content be taken in account in finalising the revised standard.

Yes, we agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed. We consider paragraph A43 to give useful guidance in this regard and the permission given to the practitioner to restrict the AUP report is welcome.

We believe that it is appropriate for an AUP report to not be restricted to parties that have agreed to the procedures to be performed. For example, in some cases a regulator may need a copy of the report though the regulator was not one of the parties that agreed to the procedures to be performed. As it relates to paragraph A43, we believe that the paragraph would be better placed in the requirements section rather than in the application and other explanatory material. It could be placed near paragraph 31. Also, in some jurisdictions the restriction of the distribution of the report may not be possible based on the jurisdictions’ laws and regulations. We suggest that the IAASB add that the report be used for its “intended purpose” rather than a restriction.
26_NAOT

The AUP report should be restricted to parties that have agreed to the procedures to be performed. If circumstances entail non restriction, that may be considered appropriately in the AUP report.

27_PAS

Yes, the report should not be required to be restricted to parties that have agreed to the procedures to be performed. Paragraph A43 appropriately addresses circumstances where the practitioner may consider it appropriate to restrict the AUP report. Requiring all AUP reports to be restricted may reduce the usefulness to various users who engage practitioners for AUP engagements to meet requirements or requests of third-parties.

28_ACCA-CAANZ

We agree that the report should not be required to be restricted but that the standard should allow for this if the practitioner views it as necessary.

To this end the guidance in paragraph A43 of ED-4400 is sufficient for this purpose, subject to an amendment to the final sentence. In light of modern technology, effectively restricting “distribution” is difficult, especially where these reports are placed online. However it is possible to restrict “use” to specified parties and so the final sentence should only refer to “use”.

It would also be beneficial to provide additional guidance that explains the implications of involving users other than the engaging party in the reporting process. The possibility of this is acknowledged in paragraph A9, but not further addressed in the examples (see our comments in question 9).

However, for your information, we note that established practice in Australia under ASRS 4400, and now in New Zealand under APS-1 (Revised) is for report restrictions to be commonly applied for professional indemnity reasons and consistent with the requirements of those standards concerning independence (see question 3). ASRS 4400 states in paragraph 42 that “the report shall be restricted to those parties who have either agreed to the procedures to be performed or who have been specifically included as intended users in the engagement letter since others, unaware of the reasons for the procedures may misinterpret the results”. Identical wording is included in APS-1 (Revised) at paragraph 41.

29_AE

Conceptually, the AUP report should be restricted to the intended users. Nevertheless, we know from practice that this is not feasible. When working with the extant standard, the report was already made public in many instances, even if not authorized.

We agree with the potential consequences of making it available as included in paragraph A43 of the application material, explaining that in some countries you may restrict the distribution, in others, the use.

30_AICPA

Response: Yes.

However, the nature of an agreed-upon procedures engagement may be such that it is appropriate to obtain an acknowledgment that the procedures are appropriate for their purposes from parties in addition to the engaging party. For example, if the engagement is performed pursuant to a contract or regulation, the practitioner may determine it appropriate to confirm with the other parties to the contract or with the regulator that the procedures performed are appropriate for their purposes. To address such engagement
circumstances, we propose that paragraph 22(d) from our proposed revision pursuant to our response to Question 6 should be further revised as follows (additional wording is in **boldface italics**):

(d) Acknowledgement that the engaging party agrees to provide the practitioner, prior to the completion of the engagement, with a written acknowledgment regarding the appropriateness of the procedures for the intended purpose of the engagement. *In circumstances in which parties in addition to the engaging party will be requested to acknowledge that the procedures are appropriate for their purposes, the agreed-upon terms of the engagement should include an identification of such parties.*

**31_CAI**

We agree that the AUP report can be provided to a party that is not a signatory to the engagement letter. However, where this is the circumstance, the report should only be provided on the basis that the party has a clear understanding of the AUPs and the relevant conditions of the engagement. There may be separately agreed terms of reference between these parties, which should be appended to the AUP report. The Standard or the application material as currently drafted does not specify or recommend this.

**32_CPAA**

We agree that the AUP report does not need to be restricted to parties that have agreed the procedures and that other parties – intended users – can be identified in the report even if those individuals or groups are not party to the terms of engagement. We support, as a minimum, inclusion of the purpose of the AUP report and a warning to users that the report is prepared only for that purpose. To this end we suggest that the wording of the requirement in paragraph 30(m) could be clearer by stating “Identification of the purpose of the agreed-upon procedures report and a statement that the agreed-upon procedures report may not be suitable is not intended for another purpose”. We further suggest that identification of the intended users in the engagement letter and AUP report could be contemplated or encouraged in the standard even if it is not a requirement, to complement the understanding of the intended users’ needs in paragraph A26.

The Australian standard, ASRS 4400, includes a restriction on “use” of the report and a disclaimer, however it does not include a restriction on “distribution”. The reason for this distinction is that it is difficult to limit the distribution of the report, especially as some regulators require AUP reports and may make them available publicly, however how that report is used can be restricted. We have received mixed feedback regarding whether the restrictions on use and disclaimer are suitable in all circumstances and therefore consider that the IAASB’s solution is a reasonable compromise, with the amendment suggested above, as it identifies the purpose of the report and provides the option of including restrictions on distribution or use or a disclaimer when appropriate.

**33_EFAA**

We agree.

**34_FAPT**

**Answer:** We’re agreed with the explanation in paragraph A43. In practice, the engaging party sometimes is required to prepare the AUP report in accordance with the requirements of the Government Sector. Therefore, restricting the use of the AUP report should consider who engaging party is and intended users is in order to prevent mislead and misuse information.

**35_FAR**

Yes, FAR agrees that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, as long as the party has a clear understanding of the AUP and the
conditions of the engagement. Paragraph A43 clarifies that in some circumstances there can be a need to restrict the report.

36_FSR

We strongly agree that the AUP report should not be restricted to those parties that have agreed to the procedures. The identification of the purpose of the agreed-upon procedures report and a statement that the AUP report may not be suitable for another purpose as set out in paragraph 30(m), mitigate any misunderstandings regarding the purpose of the AUP report.

We also agree that the practitioner should consider if the AUP report is intended solely for the engaging party and the intended users, and if so, the practitioner should indicate this by restricting the distribution or use of the AUP report.

37_IAAA

No, we do not agree. We understand that the nature and scope of a work of agreed procedures should be limited entirely to the parties involved and to the user that the principal user, possibly by agreements or regulations, may be required to deliver. We also think that the explanation of the A43 could be improved, in the sense of not considering it as an option of the professional but as a requirement to reveal in its report that it is not destined (the report) to third party, that is not the addressee explicitly mentioned in the report.

38_IBRACON

We agree with the exclusion of the restriction related to the distribution of the AUP report. However, we believe that in some cases can be important to maintain the restriction on the use, because only the engaging parties acknowledge that the scope of AUP is appropriate for the purpose of the engagement and the nature, timing and extent of the procedures to be performed. We suggest the inclusion of additional examples of situations where this restriction may be important for a public interest perspective.

39_IBR-IRE

We agree.

40_ICAEW

Yes. As we noted in our response to the Discussion Paper, we believe that the decision about who the AUP report should be made available to and under what circumstances is a risk management consideration for the practitioner and will depend on the nature of the engagement and the territory in which it is performed (as different territories have different litigation and risk profiles).

41_ICAN

Yes.

42_ICAP

We believe that the AUP report should be restricted to parties that have agreed to the procedures performed. Therefore, the requirement of extant ISRS 4400 should be carried forward in the revised standard.
43 ICAS

We believe that conceptually, the AUP report should be restricted to the intended users. Nevertheless, we are aware from experience that this is not always feasible. Therefore, we agree with the potential consequences of making the AUP report available as included in paragraph A43 of the application material, explaining that depending on the jurisdiction, the distribution and/or use of the AUP report might be restricted.

44 ICPAU

We believe that the use and distribution of an AUP report should be restricted.

We note that much of the requirements of the standard seem to address a particular class of intended users. Whereas the ED-4400 may no longer restrict the AUP report to parties that have agreed to the procedures to be performed, these are the very parties that will be involved in determining and agreeing the terms of the engagement which terms would be relevant to the parties that framed them. Hence restrictions would enable and limit the extent of application or reliance on the report by other possible users particularly if the agreed terms of engagement are not consistent with their demands.

45 SMPC

We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report. If it is considered appropriate to indicate the report is intended solely for the engaging party and the intended users, this fact should be included in the engagement letter, as well as the AUP report.

Para. A9 states that “the engaging party may be, under different circumstances, the responsible party, a regulator or other intended user”. One suggestion is for the application material to explain how each such scenario might impact the AUP engagement from a practical point of view – e.g., ensuring practitioner access to necessary information when the engaging party is not the responsible party.

46 ISCA

We agree with providing an option for the practitioner to restrict the AUP report when necessary.

We suggest that this section of the AUP report be sufficiently prominent. The IAASB may wish to consider applying the similar concept in ISA 800 (paragraph A21) to highlight the restriction in use and, where applicable, the distribution of the report.

47 KICPA

We agree with it. For additional opinion, we believe it is important for the AUP report always to be clear that it was prepared for a specific purpose for specific users. Therefore we suggest that a statement that a practitioner disclaims responsibility to any party other than the specified users for any uses or reliance on the report for any purpose be included in the AUP report.

48 MICPA

The institute agrees that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed. However, appropriate guidance should be provided in the standard on the additional safeguards and procedures to be performed by the practitioner before allowing access to other intended users.
We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures and that paragraph A43 appropriately addresses the circumstances when the practitioner may consider it appropriate to restrict the AUP report. We are pleased that the practitioner could restrict use if it so wishes.

The majority of survey respondents (85%) indicated that they agree with how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report.

However only 52% of survey respondents indicated that the AUP report should not be restricted to only parties that have agreed to the procedures to be performed as part of the AUP engagement.

As SAICA we agree that the AUP report should not be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report. It is however suggested that in these circumstances the fact that the report is restricted is included in both the engagement letter and AUP report.

We agree with the suggested approach in ED-ISRS 4400.30 (m). Restrictions of distribution of AUP reports should be agreed upon between the contracting parties in accordance with national regulation.

Yes, we agree. In many cases, AUP reports are for procedures which may meet an objective of public interest or required by more than just the contracting parties. Therefore, it may be necessary to not restrict use to the contracting parties. The guidance should contain guidance on the objective of the AUP and also the reasoning behind so that anyone who chooses to use the AUP report has full understanding. It is also correct that the practitioner be the one to restrict use in cases where it is deemed fit.