

Agreed-Upon Procedures**Minutes – International Auditing and Assurance Standards Board (IAASB) June 2015 Meeting**

Mr. Salole introduced the topic and provided the IAASB with an update on the Agreed-Upon Procedures (AUP) Working Group's (WG) efforts to date, including a summary of the existing practices regarding AUP engagements, the issues identified relating to ISRS 4400,¹ the use of hybrid engagements, and the WG's suggested way forward for this project.

The Board discussed the current differences between ISRS 4400 and the American Institute of Certified Public Accountants (AICPA) and the Australian Auditing and Assurance Standards Board's (AUASB) standards on AUP, as both the AICPA and AUASB recently issued their respective standards on AUP. The Board also discussed key features of AUP engagements, which by their nature are not assurance engagements. The Board noted that practitioners seem to experience more challenges in reporting under ISRS 4400 and that reporting on findings may include more references to assurance than what is envisaged in ISRS 4400. The Board also noted that there may be a need for greater education to explain what an AUP engagement is (and what it is not) as compared to assurance engagements.

Board members variously raised additional matters for the WG's consideration before undertaking a revision of ISRS 4400 in the Clarity format, including:

- The need to more fully understand how engagements are being conducted in practice, and where practitioners are departing from ISRS 4400 and why, as this may identify changes needed to an AUP engagement or another type of engagement to be developed to meet user demand.
- The implications of the practitioner's involvement in developing the procedures in an AUP engagement, noting the expertise that the practitioner may bring in this regard and the similarity between those procedures and audit procedures.
- The demand for, and implications of, AUPs addressing non-financial information, in light of the evolving needs of users.
- The need to obtain further information with respect to hybrid engagements that relate to specified procedures that require the practitioner to provide a conclusion on subject matter information, with a focus on the different types of engagements currently performed in practice, including those on non-financial information.
- The potential need for the Group Audit Working Group to consider whether specified procedures performed by component auditors as part of a group audit constitute an AUP in accordance with ISRS 4400.
- How best to obtain further information, for example through a Discussion Paper or other outreach, including surveys or other forms, or direct engagement with national auditing standard setters (NSS), practitioners and users.

Way Forward

¹ International Standards on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

The WG will continue its information-gathering activities on the issues related to ISRS 4400, including via further outreach.

Introduction

1. ISRS 4400 was developed over 20 years ago and continues to be widely used in many jurisdictions. Since the development of ISRS 4400, significant changes have occurred in the business environment, including growth in regulations calling for increased accountability on how funds and grants are used.
2. In response to broad calls from stakeholders who indicated that investors, banks and other providers of capital often request an entity to have an AUP engagement performed by a practitioner, a project to revise this standard was included in the 2012–2014 Strategy and Work Program. One of the main objectives of the planned project was to draft the standard in the Clarity format. However, the project was delayed because of the acceleration of work on the Auditor Reporting project. In its *Work Plan for 2015-2016*² the IAASB included the project again and a Working Group was formed in early 2016.
3. The IAASB also noted that “hybrid” engagements, using a combination of procedures derived from audit, review, compilation and AUP engagement were being performed in some jurisdictions as a means of meeting the emerging needs of small and medium-sized entities, among others. Accordingly, wider consideration was given to exploring these evolving types of engagements to consider whether standard setting or other activities may be appropriate.
4. Since its inception and, more extensively, following the IAASB June 2015 meeting, the WG has reached out to stakeholders to determine the extent and nature of AUP engagements being undertaken in practice and to explore evolving types of engagements with a view to determining if broadening of the existing standards or related activities were warranted.

Objectives

5. The objectives of this paper are to:
 - Report on key messages from outreach undertaken to determine the nature and extent of demands to broaden the scope of AUP engagements;
 - Identify the key issues the project needs to address; and
 - Summarize the preliminary views of the WG on the issues and outline a way forward for discussion by the Board.

Key Messages from Outreach

The Value and Limitations of AUP Engagements

6. Stakeholders, including NSS, member bodies, practitioners, regulators and other users, recognize that AUP engagements fulfill an important market need. They also identify the need for increased awareness and education on the value proposition of AUP engagements. Several stakeholders

² <http://www.ifac.org/system/files/publications/files/IAASB-Work-Plan-2015-2016.pdf>

report a high level of misunderstanding of AUP engagements and, only when member bodies or practitioners highlight common misunderstandings, do participants in AUP engagements properly understand the value and limitations of those engagements.

7. A common feature of AUP engagements, which is either absent from or not as important in other types of engagements, is the direct or indirect involvement of third parties in determining specific procedures to be performed by the practitioner. Third parties are commonly regulatory authorities or fund or grant providers, who specify the exact procedures or the type of procedures they require. This helps provide value in AUP engagements to relevant third parties because the AUP engagement focuses on matters of interest to them, often complementing other information such as loan or grant applications and statutory annual financial statements.
8. Practitioners are required to exercise professional competence and due care when conducting AUP engagements. While they are always a party to the agreement on the procedures to be performed, under extent ISRS 4400 they have no mandate, or basis on which, to form *conclusions* on the subject matter. A concern expressed by some is that users infer more comfort than is warranted from AUP engagements. They suggest that it is important to highlight the limitations of AUP engagements with illustrations of appropriate and inappropriate uses of such engagements. Some stakeholders are of the view that a clear distinction between an AUP engagement and an assurance engagement is necessary to avoid users placing unwarranted reliance on the AUP engagement. Appendix A sets out the WG's preliminary views on the distinction between AUP engagements and assurance engagements.
9. The WG's outreach indicates that most stakeholders are of the view that the value of AUP engagements can be increased by introducing limited flexibility in a revised AUP standard to accommodate user needs. In addition, some proposed revisions are housekeeping issues, such as adopting the clarity format and removing ambiguous terminology (e.g., "procedures of an audit nature"). Housekeeping issues aside, flexibility to accommodate user needs might include:
 - Broadening the scope of ISRS 4400 by permitting such engagements to be performed on non-financial information;
 - Reconsidering the restriction on the report of factual findings.

Demand for "Hybrid" or "Multi-Scope" Engagements?

10. There is significant confusion over what constitutes a "hybrid" engagement. This term may be used to refer to many different types of engagements, such as:
 - Engagements that consist of an AUP engagement and some combination of an assurance engagement or recommendations, which clearly distinguish between the various elements and are therefore more properly described as multi-scope engagements. Many such engagements address unique requirements of particular regulators or providers of grant funding or other capital;
 - Engagements that consist of an AUP engagement and some combination of an assurance engagement, recommendations or a management letter, which do *not* clearly distinguish between the various elements, and blur the distinction between the various elements. Such engagements sometimes arise from a lack of understanding, but sometimes they arise

because there is no perceived need or intention to follow IAASB's pronouncements or because of jurisdiction-specific requirements.

11. The results of the WG's outreach suggest that relatively few engagements fall into the latter category and that the demand for so-called "hybrid" engagements is in fact a demand for "multi-scope" engagements (i.e., engagements which consist of clearly distinguished AUP and other engagements).
12. Regulators or providers of grant funding or other capital may misunderstand the nature of IAASB's pronouncements, and dismiss the significance of differences as mere nuance. They often ask practitioners to "certify" or "verify" that an entity has complied with requirements or agreements, and attempt to specify the procedures to be performed in support of the certification or verification. In many cases, the procedures relate to whether a funding recipient has used the funds solely for designated purposes. Individual practitioners, NSS and member bodies in receipt of such requests have, in many cases, successfully intervened to explain the nature of assurance and related services standards. This has resulted in greater acceptance of an AUP or a multi-scope engagement as an effective mechanism for regulatory and compliance purposes.
13. To assist practitioners in conducting a multi-scope engagement, some NSS and professional accounting bodies have developed guidance, such as the AUASB's Guidance Statement (GS) 022 - *Grant Acquittals and Multi-Scope Engagements*. In another case, a professional accounting body developed guidance by taking a regulatory form in common use and separating out the requirements into their constituent engagement components, and providing guidance on which engagement is to be applied to each component.
14. In some cases, regulators and other users may require an engagement not covered by IAASB's standards. These engagements are often driven by jurisdiction-specific requirements. Examples of standards promulgated by NSS to address such engagements include:
 - The Conseil Supérieur de l'Ordre des Experts Comptables issued Norme Professionnelle (NP) 2300, *Norme Professionnelle Applicable A La Mission De Presentation Des Comptes [Professional Standard Applicable to the Engagement to Provide Assurance on the Presentation of Financial Statements]*, which deals with an engagement to provide a level of assurance lower than that in a review engagement on the presentation of financial statements.
 - The Institut der Wirtschaftsprüfer (IDW) issued Prüfungsstandard (PS) 840, *Prüfung von Finanzanlagenvermittlern i.S.d. § 34f Abs. 1 Satz 1 GewO nach § 24 Abs. 1 Satz 1 Finanzanlagenvermittlungs-verordnung [Audit of Financial Investment Brokers Under Financial Investment Intermediary Regulation]*, which deals with an engagement involving specified audit procedures to assist regulators of investment brokers in carrying out their duties.
15. Developing an international standard to address jurisdictional-specific engagements such as those set out in the paragraph above is not practicable due to the lack of commonality across such engagements. Appendix B provides additional examples of engagements outside those addressed by current IAASB pronouncements.

AUP Engagements that Include Recommendations

16. During the WG's outreach, two stakeholders noted regulators' request for recommendations (referred as "management letters" in some jurisdictions) in conjunction with AUP engagements. In the first case, the recommendations deal with improving controls relating to deficiencies noted during the AUP engagement. In the second case, the funder used the recommendations arising from the financial statements audit engagement to determine whether to request additional procedures to be performed through an AUP engagement.
17. The stakeholder who provided the example of the practitioner providing recommendations arising from an AUP engagement acknowledges that this practice may be contrary to the premise of an AUP report, which is focused on factual findings.

Key Issues and Preliminary Way Forward

18. The key issues identified by the WG comprise:
 - Value and limitations of an AUP engagement
 - Multi-scope engagements
 - Use of judgment in an AUP engagement
 - Recommendations
 - Update and introduce greater flexibility in ISRS 4400
19. The issues relating to value and limitations of an AUP engagement, multi-scope engagements and recommendations are subject to the WG's discussions with stakeholders as highlighted in the previous section. The summary of WG deliberations below was conducted in the context of such discussions.

Value and Limitations of an AUP Engagement

20. In its deliberations, the WG agreed that greater awareness of the value and limitations of an AUP engagement would help remove confusion about AUP engagements. AUP engagements meet the need for undertaking procedures specified by an entity (and a third party) that permit the entity to arrive at its conclusions on the subject matter.

Preliminary Way Forward

The WG proposes to highlight the benefits (and limitations) clearly in a Discussion Paper that will be developed as a next step. It will also seek opportunities to reach out to as wide a constituency as possible in its first public consultations.

Multi-Scope Engagements

21. A multi-scope engagement is an engagement in which the practitioner is engaged to perform two or more distinct and complete engagements on the same or related subject matter information. The WG recognized that, rather than "hybrid" engagements, most market needs have been met by multi-scope engagements. However, discussions during outreach sessions indicate that what

constitutes multi-scope engagements and how such engagements are performed are often not immediately apparent.

22. In the WG's view, guidance on multi-scope engagements would be helpful to:
- Regulators and other users in understanding the nature of multi-scope engagements and how these engagements can address their needs; and
 - Practitioners in considering issues relating to engagement acceptance, reporting, etc. when performing such engagements.
23. In exploring multi-scope engagements, the WG will also explore the implications of including different engagements in a single report.

Preliminary Way Forward

The WG proposes to consider whether the issue of combining different engagements can be accommodated in a revision of ISRS 4400 and whether additional complementary guidance is needed. The WG notes that the Integrated Reporting WG is dealing with a similar issue and will coordinate with the Integrated Reporting WG regarding the content and the communication of this issue.

The WG also notes that the Australian Assurance Standards Board is contemplating performing a post-implementation review on GS 022. The WG will take into account results from this post implementation review in its deliberations of multi-scope engagements.

Use of Judgment in an AUP engagement

24. ISRS 4400 states that the objective of an AUP engagement is for the practitioner to “carry out procedures of an audit nature to which the practitioner and the entity and any appropriate third parties have agreed and to report on factual findings.”³ ISRS 4400 goes on to explain that as the practitioner simply provides a report of the factual findings of AUP, no assurance is expressed. Instead, users of the AUP report assess for themselves the procedures and findings reported by the practitioner, and draw their own conclusions from the practitioner's work.⁴
25. A strict interpretation of ISRS 4400 may imply, for example, that the practitioner:
- Would apply little or no professional judgment in determining and performing the procedures; and
 - Could ignore matters that are not part of the AUP.
26. During the WG's outreach, some stakeholders (including some NSSs and regulators) expressed the view that, in an AUP engagement, the procedures should be so precisely specified that there is no need for professional judgment in performing the procedures (although “common sense judgment” is still required). These stakeholders indicated that they are closely involved with discussions between all the parties (practitioner, entity and user) regarding the nature and extent of the procedures to be performed. In their view, the user must take ultimate responsibility for the

³ ISRS 4400, paragraph 4

⁴ ISRS 4400, paragraph 5

nature and extent of procedures (including sample sizes); otherwise, the premise of the AUP engagement would be undermined.

27. Other stakeholders (including some NSSs and public accounting bodies) hold the view that a key difference between an AUP and an audit procedure is that the AUP has been agreed with another party. Accordingly, the practitioner should not exercise any less professional judgment simply because the procedure was performed in an AUP engagement as opposed to in an audit engagement.⁵ These stakeholders have also informed the WG that restricting professional judgment in an AUP engagement may be impracticable. For example, regulators often request practitioners to perform procedures specified by regulations. However, due to the fact that circumstances encountered in each engagement are unique, the procedures set out in regulation may require the practitioner to exercise some degree of professional judgment in determining the procedures to be performed (such as in determining the type of documents to look at and/or sample size).
28. A related issue is the exercise of professional judgment in the context of relevant ethical requirements. The Code of Ethics for Professional Accountants requires practitioners not to be knowingly associated with misleading information. Therefore, users of AUP engagements are likely to (and would rightfully) assume that the practitioner will exercise professional judgment in matters such as:
 - Assessing whether there is a rational purpose for the engagement and whether the procedures are suitable for the users' stated purposes.
 - Determining actions to be taken if the practitioner becomes aware of a matter that, although not part of the AUP engagement, contradicts the subject matter of the AUP report.
29. The WG heard concerns that the standard is currently too prescriptive, especially as it relates to the exercise of professional judgment by the practitioner. Many stakeholders have indicated a desire for enhanced flexibility.
30. The WG concluded that while the standards need to be principles-based, they need to be sufficiently specific to allow for consistent application. Having the right balance is essential. As some stakeholders suggested, maintaining a clear distinction between an AUP engagement and an assurance engagement is vital to public interest. The WG will ensure that the right balance between principles and prescription is maintained.

Preliminary Way Forward

The WG will consider the use of professional judgment in an AUP engagement and the balance between principles and prescription in drafting the revised ISRS 4400.

⁵ This issue is related to whether specified procedures performed by component auditors under ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, constitute an AUP. The WG will coordinate with the Group Audit Working Group on this issue.

Recommendations

31. As indicated in paragraphs 16 and 17, the WG has identified requests by regulators for recommendations in conjunction with AUP engagements. The WG notes that a comparable situation is addressed in a Canadian standard on derivative reporting. CSRS 4460⁶ deals with the practitioner's responsibilities when the practitioner is requested to report on a supplementary matter arising from an audit or a review engagement, including providing recommendations.

Preliminary Way Forward

The WG will consider CSRS 4460 in the context of AUP engagements and explore actions that can be undertaken to address the issues identified.

Update and Introduce Greater Flexibility in ISRS 4400

32. ISRS 4400 was issued before the clarity project and the drafting of the ISRS is outdated. For example, the ISRS uses terminology such as "auditor" and makes references to using the International Standards on Auditing (ISAs) as guidance. Such terminology and references are no longer appropriate under the clarity convention for a non-assurance engagement standard. The issues that need to be addressed as part of the ISRS 4400 revision project include housekeeping issues such as adopting the clarity convention and removing ambiguous terminology. Other issues, namely the distribution of AUP reports and broadening the scope to include non-financial information, address issues that are beyond housekeeping issues.

Ambiguous Terminology

33. The WG notes that certain phrases have been assigned technical meanings by the accounting profession that differ from their normal English meaning. For example, the phrase "review" means a limited assurance engagement to the accounting profession, but may mean going through a document to a layperson. Some national AUP standards (e.g., Australia's ASRS 4400⁷ and the AICPA's standard on AUP) explicitly prohibit the use of such terminology in an AUP engagement. However, discussions with stakeholders indicate that getting users to understand the technical meaning the accounting profession has assigned to certain terms is sometimes impracticable.
34. A related issue is the wording of the AUP report. Based on examples of AUP reports obtained by the WG, the WG notes that the "short-form" AUP report as set out in Appendix 2 of ISRS 4400 does not appear to be commonly used in practice. It would be useful for the illustrative AUP report in the revised ISRS to be more reflective of AUP reports issued in practice. More importantly, an examination of AUP reports might also show how they can be enhanced to communicate more effectively.

⁶ Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or Review Engagement*

⁷ Australia Standard on Related Services (ASRS) 4400, *Agreed-Upon Procedures Engagements to Report Factual Findings*

Distribution of the AUP Report

35. ISRS 4400 requires that the practitioner's report include "a statement that 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."⁸ There is ambiguity regarding whether the restriction applies to use or distribution of the report. Paragraph 12 of ISRS 4400 suggests that the engagement letter includes 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. However, a number of stakeholders, including NSSs and professional accounting bodies as well as regulators and other users have indicated that restrictions on distribution of the report is problematic as the AUP report may be required to be provided to other parties (or posted online) either by law or regulation, or by contractual agreement.
36. The WG notes that standards in various jurisdictions take different approaches regarding the restriction of the AUP report. For example, ASRS 4400 prohibits the practitioner from accepting an AUP engagement if the distribution of the AUP report cannot be restricted to the engaging party and any intended users identified. On the other hand, the AICPA's AUP standard restricts the use, but not the distribution, of the AUP report.
37. In the WG's preliminary view, a restriction on use but not the distribution of the AUP report may be able to address the concern of users misinterpreting the results while allowing the report to be made available to a wider range of entities or people.

Non-Financial Information

38. The scope of extant ISRS 4400 is limited to AUP on financial information. However, extant ISRS 4400 also states that ISRS 4400 "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." Results from the outreach indicate that AUP engagements are often performed on non-financial information. For example, funders may often request AUP engagements on internal controls in addition to an audit of the financial statements.
39. In the WG's preliminary view, the scope of the revised AUP standard should be expanded to include non-financial information. The WG notes that input from stakeholders did not identify any specific issues with regard to applying ISRS 4400 to non-financial information.

Preliminary Way Forward

The WG will explore the issues relating to updating and introducing greater flexibility as part of the ISRS 4400 revision project. In addition to the issues relating to ambiguous terminology, distribution of AUP report and non-financial information, the WG will examine circumstances when a funder, regulator or other user of AUP engagements sets out the procedures to be performed, but is not a party to the engagement to determine how to address such circumstances in the revised ISRS.

⁸ ISRS 4400, paragraph 6

Matters for IAASB Consideration

1. The Board is asked to provide input on the issues and preliminary way forward as set out in the boxes above.
2. Are there any other issues the Board feels that the WG should address?

Proposed Way Forward

| Date | Activity |
|----------------------|---|
| March – May 2016 | <p>Consultations with Small-Medium Practice Committee, NSS, and other stakeholders before finalizing a WG Discussion Paper for presentation to the IAASB in June 2016.</p> <p>The WG Discussion Paper would provide background information on the value proposition of an AUP engagement and other key issues in ISRS 4400.</p> <p>The WG intends to use the Discussion Paper as a basis for further consultations with stakeholders to obtain their views on the key issues that need to be addressed in revising ISRS 4400.</p> <p>An additional benefit to public issuance of the Discussion Paper is that it may help promote thinking on the value proposition of an AUP engagement (and in particular, how it differs from an assurance engagement). In the view of the WG, the Discussion Paper will assist professional accounting bodies and firms to clearly explain to users how standards in the existing IAASB pronouncements can address their needs.</p> |
| June 2016 | WG to present Discussion Paper to the IAASB for comments before public issuance. A draft outline is included below). |
| July 2016 | Issuance of Discussion Paper for public comments. |
| July – November 2016 | Further discussions with stakeholders to obtain views on matters identified in the Discussion Paper. |
| December 2016 | <p>Discuss comments received on Discussion Paper.</p> <p>Project proposal and formation of a Task Force.</p> |

40. The WG has begun to look at proposed content of the Discussion paper. A preliminary draft Outline of the Discussion Paper would be as follows:
 - Introduction – Background information on the AUP project
 - The WG’s preliminary views on AUP engagements

- Value and limitations of AUP engagements
- Comparison with assurance engagements
- Examples of appropriate AUP engagements
- Multi-scope engagements
 - What are multi-scope engagements
 - Examples of when multi-scope engagements may be used
- Issues to be explored
 - Use of judgment in an AUP engagement
 - Recommendations in conjunction with an AUP engagement
 - Terminology
 - Distribution of AUP report
 - Non-financial information
 - Implications relating to parties who directly or indirectly set out procedures to be performed but are not a party to the AUP engagement
 - Reporting on a multi-scope engagement

Matters for IAASB Consideration

3. Is the Board supportive of the proposed timetable and proposed content of the Discussion Paper?
4. Are there any other matters that the WG should take into account in this project?

Appendix A

Preliminary Views on AUP Engagements and Assurance Engagements

41. To help members better understand the relationships between AUP engagements and assurance engagements, the following provides a summary of the WG's preliminary views on these engagements.

| | <i>AUP Engagement</i> | <i>Assurance Engagement</i> |
|---|--|--|
| <i>Nature, timing and extent of procedures</i> | While the practitioner may provide advice on the procedures to be performed, the intended user is ultimately responsible for whether the procedures are suitable for his or her purposes. | The practitioner is responsible for determining the nature, timing and extent of the procedures, and for assessing the sufficiency and appropriateness of the evidence in accordance with the applicable assurance standard(s). |
| <i>Reporting</i> | <p>Factual finding</p> <p>For a factual finding, objective observers who made their observations at the same time and in the same context would, in all cases, agree on the factual finding. Having performed the AUP, the practitioner describes the factual findings without expressing a conclusion.</p> | <p>Assurance Conclusion</p> <p>Assurance conclusion involves the exercise of professional judgment regarding the sufficiency and appropriateness of evidence obtained. An assurance conclusion is designed to enhance the degree of confidence of intended users (other than the responsible party) about the subject matter information.</p> |

Appendix B

Examples of Engagements not Contemplated by any IAASB Pronouncements

42. The following presents examples of requests for engagements that may be viewed by some to be engagements outside of existing IAASB pronouncements.

Independent Examination of Charity Accounts

- Procedures may be perceived by some as a combination of specified by regulations and determined by practitioner; and
- Reporting that may be perceived by some as a limited assurance conclusion.

43. United Kingdom (UK) charity law requires charities over a certain size to have an external scrutiny of their accounts, being an audit or an “independent examination” (depending on size and with different thresholds in different parts of the UK). Independent examinations only need to be carried out by members of designated professional bodies. The requirements for conduct of an independent examination are set out in directions and associated guidance of the relevant charities regulator (the Charity Commission of England and Wales, the Office of Scottish Charity Regulator of the Charity Commission of Northern Ireland), which require the practitioner to carry out a set of high level procedures such as:

- Reviewing the accounting policies adopted and considering their consistency with the applicable statement of recommended practice and their appropriateness to the activities of the charity.
- Considering and reviewing any significant estimate or judgment that has been made in preparing the accounts.

44. The independent examination is a less rigorous than an audit and is intended to reflect a “light touch”. The conclusion of the independent examiner is one of negative assurance: “No matter has come to my attention which gives me reasonable cause to believe that in any material respect the requirements to prepare and keep accounting records in accordance with [applicable regulation] have not been met, or to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.”

Consent Letter to Securities Regulators

- Procedures determined by practitioner; and
- Reporting that may be perceived by some as an assurance conclusion although no assurance is intended.

45. In many jurisdictions, an entity involved in a securities offering is required to obtain the practitioner’s consent to the use of the practitioner’s report for inclusion in its prospectus. Securities legislation may require the practitioner’s consent to include a statement that the practitioner has read the prospectus and has no reason to believe that there are any misrepresentations in the information contained therein. While this statement is similar to a negative conclusion provided in a limited assurance engagement, the practitioner makes this statement only because of a securities

regulatory requirement to do so. In many of these cases, the securities regulator does not require or expect the practitioner to perform an assurance engagement (as contemplated in ISAE 3000⁹ or similar national standards) even though the practitioner is required to make a statement similar to a limited assurance conclusion. To avoid users misinterpreting the statement as limited assurance, the consent letter is normally restricted to the relevant regulatory body and may include a statement clarifying that the practitioner has not performed an audit or a review engagement on the prospectus.

46. In Canada, Section 7150¹⁰ addresses the circumstance in which the practitioner is required, as a result of a securities regulatory requirement, to make a statement similar to an assurance conclusion in a limited assurance engagement. However, the securities regulator does not require or expect the practitioner to perform to perform a limited assurance engagement.

Engagements to Report on a Supplementary Matter

- | |
|--|
| <ul style="list-style-type: none">• Procedures determined by practitioner; and• Reporting on supplementary matter may take various forms. |
|--|

47. A practitioner may be requested to report on a supplementary matter arising from an audit or a review engagement. In such cases, the request may include, for example:

- Completing or reporting on supplementary information;
- Completing or reporting on questionnaires;
- Reporting instances of non-compliance with law, regulation or agreement;
- Reporting facts or figures other than the information on which the practitioner is performing an audit or a review engagement;
- Reporting observations made or items of interest; or
- Providing recommendations.

Engagement to Provide Assurance below Limited Assurance

- | |
|---|
| <ul style="list-style-type: none">• Procedures determined by practitioner; and• Reporting in the form of negative assurance (but with caveat). |
|---|

48. In France, NP 2300¹¹ deals with an engagement to provide assurance on the presentation of financial statements. The conclusion is expressed in a negative form, but the level of assurance contemplated in such an engagement is less than that of a review.¹²

⁹ International Standards On Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information*

¹⁰ Section 7150, *Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document*

¹¹ NP 2300, *Professional Standard Applicable to the Engagement to Provide Assurance on the Presentation of Financial Statements*

¹² NP 2300, paragraph 2

49. The reporting takes the form of:

Our procedures were performed in accordance with the professional standard of the French “Ordre des experts-comptables” applicable to the presentation engagement which is neither an audit nor a review.

On the basis of our work, nothing has come to our attention that causes us to believe that the accompanying annual (or “interim”) financial statements taken as a whole are not consistent and plausible.

Engagement on Compliance with Regulation

- Procedures set out in regulations (but are also partially determined by practitioner); and
- Reporting includes a description of procedures performed plus a conclusion.

50. In Germany, IDW has developed a standard that deals with a practitioner’s responsibilities when the practitioner is engaged to perform an engagement involving specified audit procedures to assist regulators of investment brokers in carrying out their duties.

51. Under this standard, the nature of the audit procedures is agreed with the regulators in the relevant standard. However, unlike an AUP engagement, the practitioner determines how the procedures are performed and the extent of those procedures. With regard to reporting, a long-form report describes the nature of the audit procedures performed and their extent. No audit opinion or a review conclusion is expressed. However, unlike an AUP engagement, the “findings” resulting from the performance of the audit procedures are described in the report; these “findings” are similar in nature to a conclusion in an assurance engagement file. The IDW is currently engaging in discussions with other regulators whether this type of engagement, in certain circumstances, may be more useful than either assurance engagements or AUP engagements. A medium term consideration is whether the IDW should develop a general standard to provide requirements and guidance for this type of engagement.

Guidance on Multi-Scope Engagements

- Regulations require a report that, at first glance, appears not to be contemplated by any pronouncement by the Board.
- Guidance is being developed to deal with the regulatory requirements using a multi-scope engagement.

52. The Bank Act of South Africa requires regulatory reporting by auditors of financial institutions through the completion of a Bank Form. Practitioners need to use a combination of assurance and AUP engagements to meet the reporting requirements of the Bank Form. The South Africa professional accounting body is currently developing guidance detailing how the completion of the Form can be segregated into distinct components. In effect, the guidance would re-frame an engagement outside of existing IAASB pronouncement into a multi-scope engagement.