

**Meeting:** IAASB  
**Meeting Location:** Hong Kong, China  
**Meeting Dates:** September 19–23, 2016

## Agenda Item 6

### Agreed-Upon Procedures

#### Objective of Agenda Item

1. The objective of this agenda item is to obtain the views of the Board on the draft Discussion Paper *Exploring the Growing Demand for Agreed-Upon Procedures Engagements and Other Services and Implications for the IAASB's Standards* (see **Agenda Item 6-A**) to be able to finalize to be published for public comment. The DP will be out for public consultation for 120 days.

#### Agreed-Upon Procedures Working Group

2. The Agreed-Upon Procedures Working Group (the 'Working Group') is comprised of the following members:
  - Ron Salole, IAASB Member and Chair of the Working Group;
  - Nicki Bester, IAASB Technical Advisor;
  - Ahava Goldman, IAASB Technical Advisor;
  - Katharine Bagshaw, International Federation of Accountants' Small and Medium Practices Committee representative;
  - Isabelle Tracq-Sengeissen, Compagnie Nationale des Commissaires aux Comptes representative and former IAASB Technical Advisor.

#### Activities since June 2016 IAASB Meeting

3. The draft minutes of the June 2016 meeting are included in the appendix.
4. Since the June 2016 Board meeting, the Working Group met three times by teleconference to develop the material contained in these agenda papers.

**Matters for IAASB Consideration**

1. The IAASB is asked for its views on the Discussion Paper (**Agenda Item 6-A**).

**Material Presented**

Agenda Item 6-A	Working Group Draft Discussion Paper: <i>Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services and Implications for the IAASB's Standards</i>
Agenda Item 6-B	Agreed-Upon Procedures: Disposition of Significant Comments

## Draft Minutes – IAASB June 2016 Meeting<sup>1</sup>

Mr. Salole presented a first draft of the Agreed-Upon Procedures Working Group's (AUPWG) Discussion Paper (DP) to the IAASB. He explained that the DP is based on the outreach the AUPWG has performed to date and outlines the current demands for Agreed-Upon Procedures (AUP) engagements and the issues identified in the outreach. The DP discusses possible modifications that could be made in ISRS 4400<sup>2</sup> to address the identified issues and examines the demand for multi-scope engagements. The Board discussed these matters and supported the direction of the AUPWG. The Board was of the view that the AUPWG had addresses the significant areas in ISRS 4400 that need to be improved or clarified. The Board members provided the following specific comments:

- It was questioned whether the revision and clarification of ISRS 4400 should have priority over providing guidance on multi-scope engagements. Accordingly, it was suggested that a question be added in the DP to address this.
- The multi-scope section was seen to be relatively short compared to the rest of the paper. Accordingly, it was suggested that additional discussion on this topic be added. It was noted that this would also provide the AUPWG with an opportunity to enhance the explanation of what the differences are between a hybrid and a multi-scope engagement.
- In order to generate better responses, it was suggested that the questions could be more open, especially with respect to the use of professional judgement in an AUP engagement.
- With respect to the use of professional judgement in an AUP engagement, the AUPWG was asked to further elaborate on its proposals, given the fundamental nature of this issue. It was therefore suggested that the DP include a question on whether the use of professional judgment should be allowed when performing an AUP engagement. It was also noted that the independence of practitioners performing AUP engagements should be considered in conjunction with this issue, as allowing more judgment might give rise to the need for the practitioner to be independent.
- There were mixed views about whether a practitioner that performs an AUP engagement should be independent. The Board agreed that the AUPWG should formally liaise with the IESBA on this topic.
- With respect to the ambiguity of certain wording in an AUP report, the Board was of the view that the ambiguity of a word often comes from the context and therefore suggested not to prohibit or suggest the use of certain words.
- With respect to the restriction of use and distribution of the report of factual findings, an approach similar to that in ISA 800 (Revised)<sup>3</sup> was suggested. Under this approach, the auditor would include

<sup>1</sup> These draft minutes are still subject to IAASB review and may be subject to further change.

<sup>2</sup> International Standard On Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

<sup>3</sup> ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

in the report of factual findings a paragraph alerting the users to the fact that the report of factual findings is prepared and agreed with certain users and that, as a result, the report of factual findings may not be suitable for another purpose.

- There was support for the AUPWG's proposal to clearly distinguish communications arising from additional services, such as recommendations and management letters, from the report of factual findings, in order to avoid confusion.

#### Way Forward

The AUPWG will present a revised DP to the Board at the September 2016 meeting, with the intention of it being finalized and issued in the fourth quarter of 2016.