

Introduction to ISRS 4400 (Revised) *Agreed-Upon Procedures Engagements*

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ISRS 4400 (REVISED)



WHAT?

Agreed-upon procedures (AUP) engagements are widely used. The demand for AUP engagements continues to grow, particularly in relation to the need for increased accountability in relation to funding and grants. **ISRS 4400 (Revised), Agreed-Upon Procedures Engagements**, has been revised to respond to such trends and to promote consistent interpretation and performance of an AUP engagement by practitioners.



WHEN?



Effective Date

ISRS 4400 (Revised) will be effective for AUP engagements for which the terms of engagement are agreed on or after **January 1, 2022**. For engagements covering multiple years, practitioners may wish to update the terms of engagement so that the AUP engagements will be conducted in accordance with the revised standard.

WHAT OUTCOME IS THE REVISED STANDARD SEEKING TO ACHIEVE?



In addressing public interest issues relevant to AUP engagements, the revised standard intends to:

- **Respond to the needs of stakeholders**—The scope of the revised standard has been broadened to meet the demand for AUP engagements on both financial and non-financial subject matters.
- **Provide clarity in the AUP report.**
- **Enhance consistency in the performance of AUP engagements**—for example in relation to:
 - Exercising professional judgment in an AUP engagement.
 - Considering acceptance and continuance conditions.
 - Using a practitioner's expert.
 - Disclosure of compliance with independence requirements, as applicable.



WHAT ARE THE SIGNIFICANT CHANGES?



Scope and Responsibilities

- The scope now covers AUP engagements on both financial and non-financial subject matters.
- New requirements and application material clarify the practitioner's responsibilities in relation to the various parties involved in an AUP engagement such as the engaging party, the intended users of the AUP report and the responsible party for the subject matter on which the AUP are performed.
- Consistent with the clarity drafting conventions, the standard now includes an "Objectives" section. The objectives are intended to assist the practitioner in understanding what needs to be accomplished in an AUP engagement.
- The term 'factual findings' has been replaced by the term 'findings,' which is defined as the factual results of agreed-upon procedures performed. In addition, findings are capable of being objectively verified, and exclude opinions or conclusions in any form as well as any recommendations.

Compliance with Independence Requirements

- The revised standard does not include a precondition for the practitioner to be independent when performing an AUP engagement (the same as extant ISRS 4400).
- However, new requirements and application material recognize that, even when the practitioner may not be required (for example, by law or regulation, an ethics code or contract) to comply with independence requirements, the practitioner may agree with the engaging party that compliance with independence requirements is appropriate for the purpose of the AUP engagement.
- The AUP report is now required to include a statement on independence—The required statement depends on whether or not the practitioner is required to comply with identified independence requirements for the purpose of the AUP engagement.



WHAT ARE THE SIGNIFICANT CHANGES? (Cont.)



Professional Judgment

- New requirement for the practitioner to exercise professional judgment throughout the engagement, including in accepting, conducting and reporting on the AUP engagement, taking into account the circumstances of the engagement.
- New supporting application material to explain, and provide examples of, how professional judgment is exercised in an AUP engagement.

Engagement Acceptance and Continuance

- Introducing new requirements in relation to engagement acceptance and continuance considerations, including
 - Understanding the purpose of the engagement, and declining the engagement if the practitioner becomes aware of any facts or circumstances indicating that the procedures are inappropriate for the purpose of the engagement;
 - Only accepting or continuing the engagement when certain conditions are met; and
 - Communicating with the firm if information is obtained that would have caused the firm to decline the engagement had that information been available earlier, so that necessary action can be taken.
- Introducing application material to support the new requirements, including:
 - Clarifying the specificity with which AUP and findings are described and describing which terms may or may not be appropriate in the context of a particular engagement; and
 - Highlighting that certain procedures may be prescribed by law or regulation—However, these will still be subject to the conditions of specificity referred to above.



WHAT ARE THE SIGNIFICANT CHANGES? (Cont.)



Using the Work of a Practitioner's Expert

- New requirements and application material provide guidance on how a practitioner's expert can assist the practitioner in an AUP engagement. In addition, if the work of a practitioner's expert is to be used:
 - The practitioner must be able to be involved in the work of a practitioner's expert to an extent that is sufficient to take responsibility for the findings included in the agreed-upon procedures report; and
 - The practitioner may refer to the work performed by a practitioner's expert in the AUP report, either voluntarily or in compliance with law or regulation. If so, the wording of the report shall not imply that the practitioner's responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert.

The Agreed-Upon Procedures Report

- Enhanced transparency on:
 - The responsibilities of the various parties involved in an AUP engagement; and
 - Whether or not the practitioner is required to comply with independence requirements, and if so, the relevant independence requirements.
- In contrast with the extant standard, ISRS 4400 (Revised) does not require the practitioner to include a statement that the report is restricted to those parties that have agreed to the procedures to be performed. Such a restriction is now based on the discretion of the practitioner. New application material guides the practitioner in deciding whether to restrict the use or distribution of the AUP report.
- New reporting requirements and application material to address circumstances when a summary of findings is provided in the AUP report and when the practitioner is undertaking an AUP engagement together with another engagement.



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