



Agenda Item 1 (1)

Issues Paper: Attestation Standards – Agreed-Upon Procedures Engagements

This issues paper addresses issues with respect to the proposed revisions to AT-C section 215 and the related amendments to AT-C section 105 only. Please see the separate issues paper with respect to the ASB's project to revise AT-C sections 205 and 210 and the related amendments to AT-C section 105.

Objective of Agenda Item

To vote to issue the proposed AT-C section 215, *Agreed-Upon Procedures Engagements*, and the related amendments to AT-C section 105, *Concepts Common to All Attestation Engagements*, as a final standard.

Background

The Attestation Standards Task Force was formed as a joint task force of the ASB and the Accounting and Review Services Committee (ARSC) and was charged with considering revisions to the attestation standards to enable a practitioner to (a) report on an examination, review, or agreed-upon procedures engagement without having to request a written assertion from the responsible party and without report implications and (b) provide an agreed-upon procedures report without having to restrict the use of the report to the specified parties who agreed upon the procedures. The Task Force is co-staffed by Mike Glynn and Judith Sherinsky and consists of the following members:

Denny Ard (Co-Chair) – Chair of the ARSC
Catherine Schweigel (Co-Chair) – Former member of the ASB
Marne Doman – PricewaterhouseCoopers LLP
Jan Herring – Member of the ASB
David Johnson – Member of the ARSC
Michael Manspeaker – Member of the AICPA's Technical Issues Committee
Daniel Montgomery – Former member of the ASB
Paul Penler – Ernst & Young LLP
Matthew Zaun – Government Accountability Office

An exposure draft entitled *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (ED)* was issued in July 2018. If the ED were issued as a final standard, the most significant revisions to AT-C section 215 would be to:

- no longer require that all the parties to the engagement (the engaging party, the responsible party (if different than the engaging party), and users of the practitioner’s report) agree to the procedures to be performed and take responsibility for their sufficiency. Instead, the proposed revision would require that the engaging party acknowledge the *appropriateness* of the procedures for the intended purpose of the engagement prior to report issuance and explicitly allow the practitioner to develop, or assist in developing, the procedures
- allow the practitioner to issue a general use report, unless the procedures are prescribed and the practitioner is precluded from designing or performing additional procedures, the criteria are not available to users, or the criteria are suitable only for a limited number of users. Nothing would preclude the practitioner from restricting the use of any report.

At its January, May and July 2019 meetings, the ASB discussed and provided feedback to the Task Force with respect to a draft of proposed AT-C section 215 and the related amendments to AT-C section 105.

Convergence

In November 2018, the IAASB issued an exposure draft of International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* (Revised). The comment period for the exposure draft ended on March 15, 2019. The exposure draft is available at <http://www.ifac.org/system/files/publications/files/Proposed-ISRS-4400-Revised.pdf>.

The IAASB Task Force will develop a draft of proposed ISRS 4400 (Revised). This draft will be provided to the IAASB for offline comments in early October 2019. Depending on the nature and extent of the offline comments received, the Task Force may require a further IAASB call during November 2019 to obtain appropriate direction from the IAASB, before presenting a revised version for approval at the IAASB’s meeting in December 2019.

The most significant differences between the proposed ISRS 4400 (Revised) and the proposed revised AT-C section 215 are as follows:

- The proposed ISRS 4400 (Revised), consistent with extant ISRS 4400 (Revised), does not include a precondition for the practitioner to be independent when performing an AUP engagement. Therefore, differences in requirements related to independence may continue to exist.
- The proposed ISRS 4400 (Revised) requires that the terms of the engagement include the expected procedures to be performed. The proposed revised AT-C section 215 requires that the engaging party acknowledge that the procedures performed are appropriate for the intended purpose of the engagement prior to the issuance of the practitioner’s report.
- The proposed ISRS 4400 (Revised) does not require that the practitioner request written representations from the engaging party.

While the ASB’s Attestation Standards Task Force acknowledges that there are certain differences between the proposed standards, it does not believe that the final ISRS 4400 (Revised) will present any additional convergence challenges or practice issues.

Issues For ASB Consideration

Issue #1 – Adding Other Specified Parties After the Release of the Practitioner’s Report

At its meeting in July 2019, the ASB agreed with the Task Force’s recommendation that requirements with respect to adding specified parties to the practitioner’s agreed-upon procedures report should be included in the proposed revised AT-C section 215. The ASB directed that the requirements be aimed toward adding additional specified parties after the release of the practitioner’s report and provided edits to the proposed wording provided by the Task Force.

The requirements are distinctly different from related requirements in extant AT-C section 215 relating to adding nonparticipant parties. This is because proposed revised AT-C section 215 does not include a requirement for specified parties to be identified and for such parties to acknowledge their responsibility for the sufficiency of the procedures at the onset of the engagement. A nonparticipant party is defined in paragraph .07 of extant AT-C section 215 as *an additional specified party that the practitioner is requested to add as a user of the practitioner’s report subsequent to the completion of the agreed-upon procedures engagement.*

A significant difference between the proposed requirements regarding adding other specified parties after the release of the practitioner’s report and the extant requirements regarding adding nonparticipant parties is that extant AT-C section 215 does not require that the practitioner’s report be reissued. However, proposed revised AT-C section 215 does require that the practitioner amend the practitioner’s report as the purpose for adding specified parties would be to name them in the report.

The proposed requirements are as follows:

.37 If other specified parties are added after the release of the practitioner’s agreed-upon procedures report the practitioner should take the following actions:

- a. Amend the practitioner’s agreed-upon procedures report to add the other parties. In such circumstances, the practitioner should not change the date of the practitioner’s agreed-upon procedures report.
- b. Provide a written acknowledgment to the engaging party and the other parties that such parties have been added as specified parties. The practitioner should state in the acknowledgment that no procedures were performed subsequent to the original date of the practitioner’s agreed-upon procedures report.

Action Requested of the ASB

While the proposed requirements are consistent with the direction the ASB provided at its meeting in July 2019, the Board is asked whether it agrees with the proposed requirements.

Issue #2 Communication Responsibilities Regarding Fraud and NOCLAR

At the July 2019 meeting, an ASB member expressed concern regarding the proposed requirement to communicate to the responsible party known and suspected fraud and noncompliance with laws and regulations. The ASB directed that the Task Force consult with the AICPA Assistant General Counsel and develop a requirement that is properly stated in accordance with the practitioner's responsibilities pursuant to the AICPA Code of Professional Conduct.

The following is included in the proposed revised AT-C section 215:

- .40 In the event the practitioner encounters known or suspected fraud or noncompliance with laws or regulations in connection with the engagement, the practitioner should consider responsibilities under the Code of Professional Conduct and applicable law prior to communicating such information either to the responsible party or the engaging party. (Ref: par. .A69)
- .A69 The practitioner may address the approval or approvals to communicate such matters in the engagement letter and also consider having the responsible party, if different from the engaging party, to also execute the engagement letter. In circumstances where such matters are identified, the practitioner may consider discussing with legal counsel or others prior to communicating or taking further action.

Action Requested of the ASB

Does the ASB agree with the proposed requirement paragraph and does the associated application paragraph provide clear guidance?

Issue #3 – Proposed Effective Date

The proposed effective date of revised AT-C section 215 is as follows:

- .07 This section is effective for agreed-upon procedures reports dated on or after July 15, 2021. Early implementation is permitted.

While any new or revised standard can be implemented early unless specified otherwise, the sentence "Early implementation is permitted" was added to address confusion expressed by Task Force members and other interested parties.

Action Requested of the ASB

Does the ASB agree with the proposed effective date of the revised AT-C section 215?

Issue #4 – Conforming Changes to AT-C series 300 Sections

AT-C section 305, *Prospective Financial Information* and AT-C section 315, *Compliance Attestation* include specific requirements and guidance with respect to agreed-upon procedures engagements.

The plan is to consider each of the subject matter AT-C sections after issuance of the proposed revised AT-C section 215. If a subject matter section includes requirements or guidance with

respect to agreed-upon procedures engagements, such section would be conformed to the revised AT-C section 215 and, if necessary, would be exposed for public comment. If the content of the subject matter AT-C section is a reference to AT-C section 215, then a maintenance revision would be made, if necessary. This is consistent with the process applied for conforming changes to AU-C sections pursuant to the issuance of SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*.

Action Requested of the ASB

Does the ASB agree with the plan to address potential conforming changes arising from the issuance of the proposed revised AT-C section 215?

Overall Action Requested of ASB

The ASB is asked to vote to ballot to issue the proposed SSAE, *Agreed-Upon Procedures Engagements* as a final SSAE.

Agenda Items Presented:

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| Agenda item 1 (1) A | Proposed revised AT-C section 215, <i>Agreed-Upon Procedures Engagements</i> – redline to show changes from July 2019 draft |
| Agenda item 1 (1) B | Proposed appendix to revised AT-C section 215 with revisions to AT-C section 105, <i>Concepts Common to All Attestation Engagements</i> |
| Agenda item 1 (1) C | Proposed revised AT-C section 215 with related amendments to AT-C section 105 – clean |
| Agenda item 1 (1) D | Proposed revised AT-C section 105 – redline to show changes from extant |
| Agenda item 1 (1) E | Proposed revised AT-C section 215 – redline to show changes from extant |