

To the Point

AICPA – final standard

AICPA allows agreed-upon procedures engagements to be performed in more situations

Companies will have more opportunities to have an independent accountant provide an AUP report to their stakeholders.

What you need to know

- ▶ The AICPA's Auditing Standards Board revised its attestation standards to eliminate many of the legacy requirements for agreed-upon procedures (AUP) engagements and allow independent accountants to perform these engagements in more situations.
- ▶ The revised standards change the nature of an AUP engagement by requiring only the engaging party to agree with the procedures. However, the specified parties (i.e., the intended users) can still be asked to agree with the procedures, and use of the report can still be restricted to those parties.
- ▶ The revised standards require new disclosures in all AUP reports that are intended to address the risk that the reports could be misunderstood by users.
- ▶ The revised standards are effective for reports dated on or after 15 July 2021. Early implementation is permitted.

Overview

The Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) **revised its attestation standards**¹ to allow independent accountants to perform AUP engagements in more situations than they have in the past.

In doing so, the ASB responded to requests that accountants have received from companies that want to have accountants enhance their communications to stakeholders in situations that go beyond what was previously permitted for an AUP engagement. The ASB also wanted to revise the standards to align them more closely with revisions the International Auditing and Assurance Standards Board has proposed making to International Standard on Related Services 4400.

The revisions to the AICPA's attestation standards are also part of a broader effort by the ASB to revisit the 2017 Clarified Attestation Standards. The ASB is expected to make changes to standards governing other types of engagements, including examinations (AT-C 205), reviews (AT-C 210) and AUP engagements addressed by the AICPA Subject Matter Standards (AT-C 300 series), such as compliance with laws and regulations.

The table in the appendix to this publication describes key differences between an AUP engagement performed under the revised standards and one performed under the legacy standards.

Background

Companies regularly engage accountants to perform AUP engagements to communicate the findings of procedures upon which the company and specified parties agreed. The findings are used for a variety of purposes, including helping customers, suppliers, regulators and other users assess a company's compliance with its own policies, US GAAP, contractual terms or government regulations.

However, companies sometimes wanted to engage an accountant to report on findings of procedures in situations when one or more of the historic requirements for an AUP engagement could not be met or when the needs of the engaging party or intended users did not align with the objectives of an AUP engagement. In these situations, companies have chosen not to engage an accountant or engaged the accountant to perform another type of service (e.g., a consulting engagement in which use of the report is limited to the engaging party, an examination engagement that is more extensive and costlier).

Key considerations

The revised standards eliminate the requirement that the accountant request a written assertion from the responsible party that the subject matter is in accordance with suitable criteria and the requirement for the subject matter to be developed in accordance with such criteria.

Accountants are also no longer required to obtain acknowledgment from specified parties that the parties agree to the procedures and take responsibility for the sufficiency of the procedures for their purposes (though accountants are not precluded from doing so). However, the accountant is required to obtain written acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement before issuing his or her report.

The revised standards also require an accountant to disclose in his or her report that the procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as a result, users are required to assess the appropriateness of the procedures for their intended purpose. This disclosure is intended to address the risk that an AUP report could be misunderstood by users.

In addition, accountants are no longer required to restrict the use of AUP reports to specified parties. As a result, companies can now use AUP reports to communicate information to a broader number of users.

But accountants can still perform and report on AUP engagements in a manner similar to what they have historically done. For example, the engaging party may request that the accountant do so when AUP engagements are performed periodically to comply with a regulatory requirement or contractual obligation and the new reports need to be consistent with earlier reports.

Under the revised standards, companies can now engage an accountant to perform an AUP engagement in the following situations:

- ▶ A company wants a report that it can distribute to a large number of stakeholders, but it is not practical to obtain the stakeholders' agreement on the procedures and for the stakeholders to communicate that the procedures are sufficient for their purposes (e.g., a Fortune 500 company wants to report findings of procedures to demonstrate progress the company is making on its hiring goals on diversity and inclusiveness to all of its employees).
- ▶ A company wants an accountant to observe and issue a general use report on findings of procedures about the company's process of developing information (e.g., observing and reporting on the selection of the winner of a lottery drawing, a union election or a competitive bid).
- ▶ A company wants an accountant to perform procedures to assist stakeholders in evaluating the progress the company, or a company's supplier, has made on a given initiative before the company makes an evaluation (e.g., a company wants an accountant to perform procedures to assist users in evaluating whether the company's environmental impact measures are in accordance with the Global Reporting Initiative Guidelines, before the company makes such an evaluation).
- ▶ Service organizations could provide an agreed-upon procedure report to its users as supplemental evidence as to the operations of its controls.

How we see it

- ▶ Companies should evaluate whether their stakeholders could benefit from being provided with an AUP report in situations in which it was not previously possible or feasible to obtain agreement on the procedures from users or meet other requirements that have been eliminated.
- ▶ Companies that engage an accountant to perform recurring AUP engagements should consider whether it makes sense for the accountant to perform future AUP engagements in a manner similar to what he or she has done in the past (e.g., seeking agreement from users on the procedures that are performed, restricting the use of the report to a class of user or a particular user).

Effective date

The revised standards are effective for reports dated on or after 15 July 2021. Early implementation is permitted.

Endnote:

¹ AICPA Statement on Standards for Attestation Engagements (SSAE) No. 19 supersedes SSAE No. 18, *Attestation Standards: Clarification and Recodification*, AT-C section 215, *Agreed-Upon Procedures Engagements*, and amends SSAE No. 18, AT-C section 105, *Concepts Common to All Attestation Engagements*.

Appendix

The following table summarizes key differences between an AUP engagement under the revised standards and the legacy requirements.

	Revised standards	Legacy requirements
Assertion from the responsible party¹	The accountant is permitted but not required to request an assertion from the responsible party that the subject matter is in accordance with suitable criteria.	The accountant is required to request an assertion from the responsible party. If an assertion is not obtained, that fact must be disclosed in the AUP report.
Acknowledgment of responsibility for the procedures and for the sufficiency of the procedures	Each party is permitted but not required to make this acknowledgment. However, the engaging party is required to acknowledge the appropriateness of the procedures for the intended purpose of the engagement.	Each specified party is required to make the acknowledgment, which is usually done in writing.
Suitable criteria	The subject matter of the procedures is not required to be prepared in accordance with suitable criteria.	The subject matter of the procedures is required to be prepared in accordance with suitable criteria.
Timing of the development of the procedures	Although the nature and intended purpose of the engagement is required to be agreed upon when the accountant is engaged, the specific procedures can be developed throughout the engagement.	The procedures must be developed before the accountant is engaged, but they may be amended before issuance of the AUP report.
Written representations	The accountant is required to request representations from the engaging party and considers requesting similar representations from the responsible party, if that party is not the engaging party. The accountant is required to request fewer written representations than in the past.	The accountant is required to request written representations from the engaging party and the responsible party, if that party is not the engaging party.
Disclosure of report users	There is no requirement for the accountant to identify intended users in the AUP report other than the engaging party.	The accountant is required to identify the specified parties in his or her AUP report.
Disclosure of the risk that an AUP report could be misunderstood by users	The accountant is required to disclose in the AUP report that the procedures performed may not address all the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.	There is no requirement to disclose in the AUP report that the report could be misunderstood by users since all of the intended users have agreed that the procedures are sufficient for their purpose.

¹ Under AT-C 105, the responsible party is the party responsible for the subject matter of the engagement.

	Revised standards	Legacy requirements
Disclosure about the sufficiency of the procedures	The accountant is permitted but not required to include a statement in the AUP report that he or she makes no representations about the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.	The accountant is required to include a statement in the AUP report that he or she makes no representation about the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.
Report use restriction alert	An alert restricting the use of the AUP report to the specified parties is permitted but not required in the report.	An alert restricting the use of the AUP report to the specified parties is required in the report.