Responses to ED–4400¹
Comments to Q1 ‘Public Interest Issues’
NVivo Report 1A
(FOR REFERENCE)

01. Independent Regulatory Board for Auditors
The IRBA welcomes and supports the IAASB’s decision to revise the International Standard on Related Services (ISRS) 4400. This is because the standard was developed more than 20 years ago. Agreed-upon procedures (AUP) engagements are widely used in many jurisdictions and the demand for AUP engagements is growing. We further support the proposed amendments made towards clarifying and modernising ED-4400. The proposed amendments are appropriate and respond to addressing the needs of stakeholders and the public interest issues identified by the IAASB. These proposed amendments include the following:

- Broadening the scope of the ED-4400 to include both financial and non-financial subject matters;
- Clarifying the role, and when professional judgment plays a role in an AUP engagement, including explanations on the distinctions between an AUP engagement and an assurance engagement;
- Including material to help the practitioner avoid, in the AUP report, the use of terminology that is unclear, misleading or subject to varying interpretations; and
- Adding material that will make the AUP report clearly distinguishable from other engagement reports.

02. National Association of State Boards of Accountancy
Yes, we believe that the ED-4400 has been appropriately clarified and modernized. However, we submit comments on the specific topics presented in the Exposure Draft for consideration to address certain public interest issues.

03. World Bank Group
The ED would bring significant improvement to the AUP standard – e.g., by broadening the scope of AUP engagement to include non-financial subject matters, by removing some of the report restrictions and by addressing the issue of quality control. The explanatory memorandum provides an excellent summary of these improvements. Our main concern has to do with the issue of professional judgment and independence (see below).

We, however, believe that the ED should include a discussion on the nature of an AUP and which clearly brings out and distinguishes between an agreed upon procedures engagement and a limited assurance engagement. This is because we believe this distinction is critical to assist in users in identifying whether they require an AUP report on findings (and consequently no assurance) or some level of assurance for which other forms of engagements are more suitable (e.g. assurance engagements in accordance with ISAE 3000).

¹ Exposure Draft International Standard on Related Services 4400, Agreed-Upon Procedures Engagements
04. Australian Auditing and Assurance Standards Board

Yes.

The AUASB is supportive of this exposure draft, particularly in light of the increasing demand for agreed-upon procedures engagements globally. The AUASB considers that the proposed standard has been clarified to respond to the needs of stakeholders and address public interest issues, however, there are certain matters covered in specific questions below that should be addressed to improve consistency in implementation of the standard, particularly in relation to professional judgement and independence.

05. Canadian Auditing and Assurance Standards Board

Overall, we agree that ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues. Canadian stakeholders have expressed strong support for many aspects of ED-4400, including the expansion of the scope to address non-financial subject matters and clarification of how professional judgment is exercised in an agreed-upon procedures (AUP) engagement.

06. Compagnie Nationals des Commissaires aux Comptes- Consell Superleur de l'Ordre des Experts-Comptables

We are supportive of the overall changes proposed in the ED. We believe that in general, the proposals represent positive enhancements to the existing standard and we believe that the proposed changes respond to the needs of stakeholders and address public interest issues.

In particular, we believe that greater clarity was introduced in areas such as the exercise of professional judgment, and the use of a practitioner’s’ expert; we are also supportive of the changes made to the restrictive use of the AUP report.

However, we have a concern regarding the requirements related to the disclosure of independence, as indicated further in our response to question 4.

07. Hong Kong Institute of Certified Public Accountants

The proposed changes in ED-4400 enhance practitioner's understanding in the performance of an AUP engagement. It promotes a robust process in the acceptance and continuance assessment, planning, executing and reporting of an AUP engagement. ED-4400 also addresses the needs of stakeholders and public interest issues through clarifying the relationship with ISQC 1 in respect of a firm's AUP engagement; enhancing practitioner's independence disclosure in the AUP report, where applicable and providing guidance to practitioners on the use of terminology in the context of an AUP report etc.

With the clarification of the relationship with ISQC 1, it sets the expectation that only a firm of professional accountants that is subject to ISCO 1 or requirements that are at least as demanding would be able to conduct an AUP engagement. This clarification enhances the level of confidence and the value of the AUP report by stakeholders.

However, we note that paragraph 30(e) of ED-4400 states that "If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQC 1."
In general, a “practitioner” other than a professional accountant may not be subject to the legal or regulatory monitoring by the local accountancy body. As such, the local accountancy body is not in a position to understand or assess the professional requirements applied that are at least as demanding as ISQC 1. This may lead to inconsistency in quality of work performed. We would suggest the IAASB to clarify its intention and provide examples of a practitioner other than a professional accountant who may be expected to conduct an AUP engagement.

Furthermore, given that the practitioner of an AUP engagement may not be the same as the statutory auditor of the entity's financial statements; it would be useful for the IAASB to clarify if the practitioner conducting an AUP engagement is expected to have the same level of qualifications as the statutory auditor. It would be in the public interest of stakeholders, in particular the users of the AUP report to expect a practitioner undertaking AUP engagements to have the same level of professional qualifications as that of a statutory auditor.

We also note that ED-4400 is silent with respect to engagement quality management. We would recommend the IAASB to provide examples where an engagement quality review might be appropriate for an AUP engagement (e.g. the AUP report is expected to be included in a regulatory filing) and make references to the relevant quality management standards on the requirements of an engagement quality review.

08. Institut der Wirtschaftsprüfer

We believe that with a few – but important exceptions – the draft has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues. In line with our response to Question 5, we are not convinced that the change from the term “factual findings” to “findings” is in the public interest. As noted in our response to Question 2, we do not believe that extending professional judgment to the actual performance of the procedures is in the public interest.

We also believe that the current requirement in relation to written representations is not aligned with the concept of agreed-upon procedures engagements (see our comment on paragraph 27 in Appendix 2) and that reference should be made in the report when a practitioner’s expert performs the agreed-upon procedures on behalf of the practitioner (see our comment on paragraph 31 in Appendix 2).

09. The Japanese Institute of Certified Public Accountants

Yes, ED-4400 has been appropriately clarified and modernized.

10. Auditing and Assurance Standards Board of Malaysian Institute of Accountants

The ED-4400 has been suitably modernized to be compatible with other clarified standards. The provisions of ED 4400 respond to needs of stakeholders and addresses public interest issues. The AASB supports the clarifications made in the standard to explicitly incorporate requirements and examples within the application material on non-financial subject matters.

Further, the additional descriptions of what an agreed-upon procedure (AUP) is, contrasted with other assurance engagements is useful in engaging users and the public, especially involving engagements in public sector entities that could be in the public interest. This would certainly be of use when agreeing the scope of work of such engagements with the engaging parties who must acknowledge the appropriateness of such procedures and when explaining to other known users of such reports, for example, regulators.

It would also be helpful for the IAASB to consider providing examples on the usage of technology such as
data analytics in an AUP engagement.

11. Nederlandse Beroepsorganisatie van Accountants

We support the revision of ISRS 4400 with the public interest in the forefront. The current standard is outdated and often leads to questions or issues in practice and sometimes even to disciplinary cases. With the growing demand for AUP engagements in the Netherlands and Europe, we have developed a Dutch clarified Standard 4400N ‘Agreed-Upon Procedures Engagements’ (AUP) to explain the purpose of the engagement, what the report means for the intended user and what the role is of the intended user. We have enclosed the Dutch Standard 4400N in Appendix I and will refer to the respective paragraphs to illustrate and share our ideas on enhancing ISRS 4400.

The value of an Agreed-Upon Procedures Engagement

It is stated that the value of an AUP (see paragraph 4) lies in complying with professional standards and clear communication. We believe that the value also lies in using professional judgment (see also question 2) and in responding to the needs of the intended users (see further explanation below).

Intended users

In the ED, agreement of the procedures is performed between practitioner and engaging party. By specifically responding to the needs of stakeholders and address public interest issues, we believe that the objective of the ED and the agreement with the intended users should be as follows:

<table>
<thead>
<tr>
<th>Para.</th>
<th>Dutch Standard 4400N, Engagements to Perform Agreed-upon Procedures</th>
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<tbody>
<tr>
<td>12</td>
<td>According to this Standard, the practitioner’s objectives in an engagement to perform agreed-upon procedures are to:</td>
</tr>
<tr>
<td></td>
<td>• Apply his professional expertise for the performance of procedures resulting from agreement with the intended users, and;</td>
</tr>
<tr>
<td></td>
<td>• Report on factual findings in accordance with the requirements of this Standard.</td>
</tr>
<tr>
<td>15</td>
<td>Under certain circumstances, the practitioner will not be able to consult with all of the intended users regarding the procedures and premises. In these situations, the practitioner shall take other measures, such as:</td>
</tr>
<tr>
<td></td>
<td>• Discussing the procedures and premises with the most relevant representative or representatives of the intended users. The practitioner shall determine whether the representative is in fact a sufficient representative of the intended users;</td>
</tr>
<tr>
<td></td>
<td>• Reading a protocol or other available information or correspondence.</td>
</tr>
</tbody>
</table>

We believe that the agreement of procedures to be performed should be between the practitioner, the engaging party and the intended users. The AUP is performed for the benefit of the intended users. The practitioner should understand what their information needs are and agree on how this can best be achieved by performing procedures that respond to those needs. It is the responsibility of the intended users to determine whether the procedures performed as agreed-upon are sufficient and appropriate for the purpose of which they are intended. The intended users need relevant knowledge of the matters concerned to understand the results and to use them in an appropriate manner.

Fraud and NOCLAR

The ED does not give concrete appropriate actions of what the practitioner should do when he becomes aware of identified or suspected fraud or non-compliance with laws or regulations. In our opinion, the
practitioner has to take one or more of the following actions, which are not described in the requirements of the ED:

<table>
<thead>
<tr>
<th>Para.</th>
<th>Dutch Standard 4400N, Engagements to Perform Agreed-upon Procedures</th>
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</thead>
</table>
| 31    | If, during the course of the engagement, the practitioner becomes aware of an identified or suspected fraud or non-compliance with laws and regulations, the practitioner shall:  
• Communicate the matter with management or those charged with governance, where appropriate;  
• Inform those responsible auditors from outside the client about the matter if he knows that they are performing an engagement at the client, it is important for the performance of their engagement to be aware of this matter and they are not informed in time by the client;  
• Determine whether he should withdraw from the engagement or modify the terms of the engagement. |
| A19   | In such a case, the practitioner will determine whether he is required to report an identified or suspected fraud or non-compliance with laws and regulations to an authority outside the entity, as stipulated in the Anti Money Laundering and Terrorist Financing Act (‘Wet ter voorkoming van witwassen en financieren van terrorisme’ (Wwft)).  

The Regulations on NOCLAR (‘Nadere Voorschriften NOCLAR’) may determine responsibilities including reporting to an appropriate authority outside the entity when this is appropriate in the circumstances. |

We recommend to explicitly incorporate the aforementioned in the requirements and not only (partly) in the Introduction and Application and Other Explanatory Material.

**The differences between AUP and Assurance Engagements**

Although the differences between AUP and Assurance Engagements are mentioned and it is highlighted that the engagements are not the same, the use of a tabular format in the ED may also help in comparing the engagement types and make clear what the differences are:

In the Dutch Standard 4400N, *Engagements to Perform Agreed-upon Procedures*, we have pointed out the differences as follows (see paragraph A5):

<table>
<thead>
<tr>
<th>Subject Matter</th>
<th>Agreed-upon engagement</th>
<th>Assurance engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context</strong></td>
<td>Private (communication with users is necessary)</td>
<td>Public or private</td>
</tr>
<tr>
<td><strong>Engagement objective</strong></td>
<td>Providing specific information to an intended user with some knowledge of the underlying subject matter.</td>
<td>Providing an opinion/conclusion regarding the fair presentation of information or compliance with prescribed requirements.</td>
</tr>
<tr>
<td><strong>Procedures:</strong> Planning</td>
<td>The practitioner and the intended users agree to the procedures. It is the responsibility of the intended users to determine</td>
<td>The practitioner determines independently which procedures are needed to express an opinion/ form a</td>
</tr>
</tbody>
</table>
whether the procedures performed as agreed upon are sufficient and appropriate for the purpose for which they intend to use the report. conclusion based on a standards framework.

<table>
<thead>
<tr>
<th>Implementation</th>
<th>The nature of the procedures is similar.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation</td>
<td>The user makes his own assessment regarding the meaning of the results of the procedures for his own purpose. The practitioner evaluates the results of the procedures to form his conclusion/ express his opinion.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Description of the factual findings. The opinion/conclusion regarding the underlying subject matter as a whole.</td>
</tr>
</tbody>
</table>

Unnecessarily lengthy and repetitive

The ED is lengthy and repetitive compared to the old ISRS 4400. We do understand that reference is made to the (revised) ISQC1, but we think that this can be done with less paragraphs. In the application and other explanatory material often references are often made to the requirements and the text is duplicated. We consider this unnecessary and recommend to eliminate duplicated texts by reducing the paragraphs relating to ISQC1 and to limit its content to guidance that is necessary to assist practitioners in understanding the requirements and focusing on the key concepts.

Professional skepticism

In the ED there is no reference made to the professional skepticism of the practitioner. In our opinion, professional skepticism is also crucial in performing AUP engagements. The procedures are similar to procedures performed for an assurance engagement. The practitioner applies his professional skepticism with the critical assessment of information during the performance of the procedures. The concept of professional skepticism also expresses an attitude of a practitioner that is expected by the general public.

In our application and other explanatory paragraphs we give the following explanation for the use of professional skepticism:

<table>
<thead>
<tr>
<th>Para.</th>
<th>Dutch Standard 4400N, Engagements to Perform Agreed-upon Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>A9</td>
<td>The practitioner uses his professional skepticism including the critical assessment of information during the performance of the procedures. This includes being alert to the following:</td>
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<tr>
<td></td>
<td>a Information that is inconsistent or contradictory;</td>
</tr>
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<td></td>
<td>b Information that brings into question the reliability of documents and responses received;</td>
</tr>
<tr>
<td></td>
<td>c Considering whether the information sufficiently supports the reported factual findings.</td>
</tr>
</tbody>
</table>

12. National Board of Accountants Tanzania

Yes: The ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues.
13. **BDO International Limited**

We agree that ED-4400 has been appropriately modernized to respond to the need of stakeholders, particularly with respect to expanding the intended users to those beyond the engaging party. Many intended users of AUP reports are regulators so ED-4400 is a significant improvement over the extant AUP standard in that regard.

In addition, expanding the scope in ED-4400 to explicitly cover non-financial subject matters also responds to feedback received regarding the needs of stakeholders.

We agree that ED-4400 also addresses public interest issues by incorporating additional requirements and guidance around professional judgment, quality control, and better communication of procedures and findings that are objectively described and verifiable in the AUP report.

With respect to the relationship between ISQC 1 and AUP engagements, the application guidance in paragraphs A3 – A8 is helpful. However, we feel that including paragraph A6 within the requirements would make it much clearer how ISQC 1 applies to AUP engagements. Paragraph A6 currently states that: “Within the context of the firm’s system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement.”. We believe that ‘having a responsibility to implement’ such quality control procedures applicable to AUP engagements is equivalent to a requirement to implement quality control procedures at the engagement level. Moving paragraph A6 to the requirements, perhaps before paragraph 19, would make that much clearer to engagement teams, particularly since paragraph 19 in ED-4400 currently implies that only the engagement partner has a responsibility with respect to engagement level quality control on AUP engagements.

Finally, we believe that the standard has been appropriately clarified; we did not identify any issues with how the clarity conventions have been applied.

15. **Crowe Horwath International**

We consider that ED-4400 has been appropriately clarified and modernised.

16. **Deloitte**

DTTL is supportive of the issuance of ED-4400 and believes that the proposed revisions support the objective to clarify and modernize Extant ISRS 4400, with the exceptions noted within this comment letter. DTTL believes that with the consideration of the feedback articulated in this letter, the proposed standard will provide more clarity and will be more responsive to the needs of stakeholders.

17. **Ernst & Young Global Limited**

We support, in particular, the modernizations with respect to:

- The expansion of the scope of the standard to include non-financial subject matters
- The removal of the requirement to restrict the agreed-upon procedures report (AUP report) to those parties that have agreed to the procedures to be performed

Both of these changes enhance the practitioner’s capability to perform an agreed-upon procedures engagement in the current environment, which involves both regulatory requirements for agreed-upon procedures engagements in certain jurisdictions and emerging demands for assurance or related services engagements on new subject matters (e.g., in relation to entities’ use of blockchain technology or
cryptocurrencies). However, we do believe that further enhancements to the standard may be needed to effectively support these modernizations (refer to our responses to Q6 and Q8 for further comments).

With respect to the other public interest issues listed in Section 3-A of the Explanatory Memorandum (EM), we do not agree that ED-ISRS 4400 appropriately clarifies the role professional judgment plays in an AUP engagement (refer to our response to Q2 for further comments).

We support the update of ED-ISRS 4400 to the IAASB’s clarity format, which improves the overall readability and understandability of the standard. With respect to the specific clarifications identified in Section 3-A of the EM, we are supportive of these except for the wording of the required statements in the AUP report when the practitioner is not required to be independent (refer to our response to Q4 for further comments).

18. Grant Thornton International Limited

We are of the view that overall ED-4400 has been appropriately clarified and modernized to respond to the needs of the stakeholders and to address the public interest issues that are identified in paragraph 6 of the accompanying Explanatory Memorandum (EM). As we noted in the response to the IAASB’s Discussion Paper on Exploring the Demand for Agreed-Upon Procedures and Other Services and the Implications for the IAASB’s International Standards (the Discussion Paper), broadening the scope of the proposed standard to include financial and non-financial subject matters, with examples of such, reflects current practice and therefore a welcome clarification.

19. Kingston Smith

Yes, we agree that the ED has been appropriately clarified and modernised and will meet the needs of practitioners in performing AUP engagements much better than the current version of the Standard, which has been out of date for a number of years.

As noted above, there will still be a need for education of public bodies (for instance government entities) about what such an engagement entails. All too frequently practitioners are requested to ‘verify’ or ‘certify’ information and the widespread use in practice of the undefined term ‘grant audit’ in respect of engagements which may vary from genuine assurance engagements to AUP engagements is also unhelpful. Whilst the examples of appropriate and inappropriate terminology in the draft Standard are helpful they will not address this issue in isolation. We would suggest the IAASB consider how the messages in the revised Standard can best be communicated to government bodies, regulators and other bodies that often request AUP engagements (e.g. EU bodies) so that they are fully understood.

20. KPMG IFRG Limited

We support the efforts made by the IAASB to clarify and modernise this standard. However, we have identified areas we believe require further consideration or clarification. We set out our views on the specific questions raised in the ED below, together with our concerns regarding certain aspects, as well as suggestions for further enhancement. In particular, these relate to:

- Professional judgment;
  - Independence;
  - Engagement acceptance and continuance;
  - Description of the purpose of the AUP report/ restriction in use and distribution of the report; and
21. PKF
We believe that the revised standard appropriately clarifies and responds to the needs of stakeholders and address public interest issues.

22. PricewaterhouseCoopers International Limited
Subject to our comments in response to the questions hereafter, we believe the proposed revisions represent an appropriate response to the public interest issues identified in relation to the conduct of an agreed-upon procedures (AUP) engagement.

AUP engagements represent an important service for many stakeholders globally. Several national standard setters in a number of jurisdictions had recognised that the extant global standard was out of date and revised their own standards. Revision of the IAASB standard is therefore timely and in the public interest in supporting global consistency.

We welcome the clarification to make explicit that the standard may be applied to both financial and non-financial subject-matters. The proposed standard has also been appropriately drafted and modernised in order to conform with Clarity drafting principles.

One of the most challenging public interest issues associated with AUP engagements is consistency in users’ understanding of the nature and purpose of such engagements – making clear the distinction between AUP and assurance engagements. The changes relating to terminology used to describe AUPs are useful in that regard.

The revised standard will provide a useful basis for further meaningful discussion with stakeholders about the nature and value of an AUP engagement, including what it is not designed to achieve. We encourage the IAASB to use the revision as an opportunity to undertake proactive outreach to key stakeholders, in particular those commissioning and using AUP reports (such as funding or lending organisations), to promote the changes and to reinforce understanding of the nature and purpose of these important engagements.

23. RSM International
Yes, we believe that ED-4400 has been appropriately clarified and modernized to reflect the increasing complexity of AUP engagements. It also appropriately addresses changes in the regulatory environment, particularly in the areas of ethics, independence and the exercise of professional judgment but without being as prescriptive as the requirements for an assurance engagement.

24. Auditor General of Canada
Yes, we believe ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues.

25. US Government Accountability Office
We believe that ED-4400 has been improved and that the clarified format provides a clearer structure and format for the standard. There are some changes that still need clarification to ensure that ED-4400 requirements are clearly conveyed and appropriately applied. In the responses to questions below, we have identified a number of areas that need clarification.
26. National Audit Office of Tanzania

I find that ED-4400 has appropriately clarified and modernized to respond to the needs of stakeholders and addressing public interest issues.

27. Provincial Auditor Saskatchewan

Partially—we found Board appropriately clarified and modernized the ED to respond to the needs of stakeholders and address public interest issues, except for the issues identified below.

28. Association of Chartered Certified Accountants - Chartered Accountants Australia and New Zealand

We agree that ED-4400 is a significant improvement over its predecessor, addressing key concerns and deficiencies with the current standard that have become apparent as the use of agreed-upon procedures (AUP) engagements has grown worldwide. Its improvements better explain the nature and purpose of these engagements, appropriately widen its scope to non-financial information, clarify professional obligations, clarify terminology and provide useful examples. We believe all these changes will greatly assist our members perform these engagements as well as being able to guide clients and regulators in their development and use.

However we believe there are still some public interest issues where the requirements need further clarification. These concern the requirements surrounding the exercise of professional judgement (question 2), the use of experts (question 7) and the reporting processes (see questions 8 and 9).

To further benefit the public interest, we would also encourage the board to continue its education work on this topic once this revised standard is released. The standard has already identified, and appropriately accommodated, the difficulties that specific legislative wording currently pose. We therefore recommend the development of resources that would support national professional bodies and national standard setters to engage with their regulators and policy makers to ensure the differences between AUPs and other assurance engagements are better understood.

29. Accountancy Europe

In Europe, we know that a lot of countries have developed their own standards to cope with the fact that ISRS 4400 was outdated. It may have pushed the practical application of the standard in different directions. We expect the IAASB to be aware of such cases, to have considered these different situations and to allow – to the extent reasonable – for flexibility at local level.

To fully address the public interest issues, it is important to explain better the differences between assurance engagements and AUP and we think that the standard may need to be accompanied with a communication piece on this. Great initiatives have already been carried out by the SMP Committee, but it may need reinforcement – inside or outside the standard.

With the same objective in mind to address public interest issues, it may be worth being clearer on the role and responsibilities of all parties involved, i.e. describing more prominently the engaging party and giving an example of the intended user in the application material.
30. American Institute of Certified Public Accountants

Response: While we believe that several of the proposed revisions included in ED-4400 will result in enhancements to the clarity and modernization of the standard and are responsive to the needs of stakeholders and address public interest issues, we believe that ED-4400 could better address the common engagement scenario where the procedures to be performed by the practitioner are not known at the point of engagement.

Paragraph 23 acknowledges that procedures may be modified over the course of the engagement but requires that such procedures be reflected in an amended engagement letter. The requirement for an amended engagement letter becomes impractical when procedures are developed or revised more than once over the course of the engagement.

As discussed in our response to Question 6, a practical approach is to require the engaging party to acknowledge that the procedures are appropriate for the purpose of the engagement before the report is issued. Associated application guidance may state that, if the procedures are known at the outset, the acknowledgment may be included in the engagement letter. Otherwise the acknowledgment may be documented in an amended engagement letter, an addendum to the engagement letter, or other suitable form of written communication. If the acknowledgment is to be obtained after agreeing on the terms of the engagement, we propose that the engagement letter include a statement that the engaging party will provide such an acknowledgment prior to the issuance of the practitioner’s agreed-upon procedures report.

31. Chartered Accountants Ireland – Audit and Assurance Committee

Yes, the improvements made to the standard are very welcome. Explanations on the distinctions between Agreed-Upon-Procedures (“AUP”) engagements and assurance engagements and the role of professional judgement were needed given the common misconceptions made in both circumstances by practitioners and users of AUP reports.

32. CPA Australia

A key purpose of a standard on AUPs should be to differentiate these engagements from audits, reviews or other assurance engagements, where an opinion or conclusion is provided, so that users do not misunderstand what value the report provides and do not place the level of reliance on the underlying subject matter as they would on an assurance engagement. Such differentiation is primarily necessary when practitioners provide both assurance and non-assurance services to the same client. In such circumstances, users may get confused that an AUP is a similar service to an assurance engagement, which also provides some form of assurance. This clarification is needed to meet stakeholder needs and address the public interest.

While we consider that this has been achieved to a large extent in ED-4400, meeting user needs and the public interest could be further addressed by clarification of distinguishing features of an AUP as opposed to an assurance engagement. Illustration of the differences between an AUP engagement and an assurance engagement and how each may be scoped even if they relate to the same subject matter would be useful. These differences are set out in the Australian standard ASRS 4400 in the following tables:

- Appendix 1 Differentiating Factors between Agreed-Upon Procedures Engagements and Assurance Engagements
- Appendix 2 Examples of Differences in Scope between an Agreed-Upon Procedures Engagement and an Assurance Engagement.
33. European Federation of Accountants and Auditors for SMEs
Yes, we believe that overall ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues. We believe that the value of an AUP engagement also lies in applying professional judgement and in responding to the needs of the intended users.

We support the standard highlighting that it applies to engagements on both financial and non-financial subject matters.

34. Federation of Accounting Professions in Thailand
**Answer:** Yes, it is necessary to improve standard for appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues.

35. FAR (Institute for the Accountancy Profession in Sweden)
ED-4400 has been clarified and modernized in many ways. For specific comments see answers to question 2-11 below.

36. FSR Danske Revisorer (Danish Institute of Accountants)
In our opinion, ED-4400 has been appropriately clarified and modernized to address the challenges with the extant ISRS 4400. We especially appreciate that the standard can be used on non-financial subject matters and without having the users of the AUP report to agree to the procedures to be performed on the subject matter.

We do, however, still believe there are challenges with users understanding the differences between assurance engagements and AUP engagements. We, therefore, encourage initiatives that can help communicate these differences and the benefits of performing AUP engagements.

The main challenges with the standard are that the AUP report does not take sufficiently into consideration the users of the report. This is for example the case with the description of independence and the use of experts, which in our opinion will cause confusion.

In other words, the AUP report should be focused on the background and needs of the users of the AUP report.

37. Inter-American Accounting Association
Yes, we understand that the ED-4400 is written with a language that transmits clarity in its purposes and contents; As for the consultation, it is clear that the text of the project has adequately clarified and modernized any possible interpretation of the parties concerned in a related service work, in particular to address issues of public interest.

However we believe that is still necessary to incorporate the requirements of independence, as we are considering in the answer to question No 3 of this comment from respondent.

38. Instituto dos Auditores Independentes do Brazil
Yes. We pointed out some issues in the following questions, but we considered that the overall objective of the ED was achieved with the inclusion of the areas related to professional judgment, independence, engagement acceptance and continuance, use of practitioner’s expert and report restrictions.
39. Institut des Réviseurs d’Entreprise/ Instituut van de Bedrijfsrevisoren (Belgian Institute)

We support this project to revise ISRS 4400. We believe that the IAASB has addressed the topics that needed to be clarified. The revised standard will help us promoting this type of engagement in our jurisdiction.

40. Institute of Chartered Accountants in England and Wales

1. Yes, we believe that the ED has been appropriately clarified and modernised to respond to stakeholder needs. We are broadly content with the approach taken and proposed changes.

2. As highlighted in our response to the Discussion Paper, making changes to the standard is not, however, enough on its own to address public interest concerns. One of the key issues arising with AUP engagements relates to reporting demands from regulators and governmental bodies. These reporting demands are often made without a clear understanding of the nature of AUP engagements and their limitations. The challenge is how to ensure that stakeholders outside of the profession understand what an AUP engagement is and the requirements of the standard, and seek help from relevant accountancy organisations when considering new reporting requirements. We would encourage the IAASB to consider how, with the publication of this revised standard, it can ensure that these messages are clearly communicated to and understood by regulators and governments around the world. This requires a broader education programme which is aimed at these stakeholders. Without this, expectation gaps are likely to remain.

41. Institute of Chartered Accountants of Namibia

Yes

42. Institute of Chartered Accountants of Pakistan

We are supportive of the IAASB approach as the proposed standard responds to the needs of stakeholders and addresses public interest issues.

We appreciate IAASB efforts and note that the proposed standard contains considerable enhancements compared to the extant ISRS 4400, in particular the expansion of the scope of the standard to include non-financial subject matters. The supporting application material providing necessary guidance and clarity to the requirements is also a considerable improvement.

We also believe that further clarification and refinement of the proposed standard in the areas relating to the professional judgement, independence and use of a practitioner’s expert would be helpful for clarity and consistency in application. Our explanation on these areas is provided in responses to the specific questions below.

43. Institute of Chartered Accountants of Scotland

We welcome the clarification and update to the standard and agree that it will better meet the needs of stakeholders. We are aware that some jurisdictions have developed their own local standards due to extant ISRS 4400 being so out of date. Consequently, this may have created some divergence in terms of application. Therefore, we believe that any revisions to update the standard that result in greater consistency in its application are in the public interest.
However, to fully address the public interest issues, we believe that it is important to highlight to external parties the differences between assurance engagements and AUP engagements. We would therefore welcome the production of a communication piece around this issue to accompany the finalised standard.

44. Institute Of Certified Public Accountants Of Uganda

Yes, we believe that the ED-4400 has been appropriately clarified and modernized. However, we submit comments on the specific topics presented in the Exposure Draft for consideration to address certain public interest issues.

45. IFAC SMP Committee

Overall, we believe that ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues. We support the clarification in para. 2 supported by A1 and A2 that ISRS 4400 (Revised) applies to the performance of AUP engagements on both financial and non-financial subject matters. However, the term “subject matters” might be confused with the term “underlying subject matter” used in ISA 3000 (Revised), so we suggest that the term be changed to “matters”.

47. Korean Institute of Certified Public Accountants

We believe ED-4400 is comprehensible and appropriately clarified, being sufficient enough to respond to the needs of stakeholders.

48. The Malaysian Institute of Certified Public Accountants

Yes, ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues.

49. New York State Society of CPAs

We applaud the efforts of the IAASB to modernize and clarify International Standard on Related Services (ISRS) 4400 Agreed-Upon Procedures Engagements (Revised).

We agree with the positions articulated in the ED, except for the document not resolving the independence requirement for all practitioners who would provide this service. The ED notes that the International Professional Ethics Committee of IESBA has no independence requirement in place.

We disagree with the placement of a discussion of a firm’s quality control in the AUP report. The ED suggests that this requirement parallels inclusion of a similar discussion in the revised standard on compilation (ISRS 4410).

The AUP report in the ED is no longer required to be restricted (unless the practitioner elects to do so), but it requires a statement that it might not be suitable for any other purpose than those agreed upon by the engaging parties. The risks of litigation arising from the use or restriction of the report to users by practitioners varies by jurisdiction. That risk should be evaluated by practitioners so they can make an informed decision. This caveat should be included in the application material on report restrictions.

Our comments on these issues are detailed below in our response to questions 3 and 4 of Section 4 (page 16 of the ED) and question 9 (page 17 of the ED).
50. South African Institute of Chartered Accountants

3. 77% of survey respondents agree that ED-4400 has been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues.

4. We are in support of paragraph 6 of the Explanatory Memorandum that the revisions in ED-4400 are made with the public interest in the forefront and that the clarification, enhancement and modernization of extant ISRS 4400 serves the public interest by:
   a. Responding to the needs of the IAASB’s stakeholders;
   b. Providing clarity in the AUP report; and
   c. Reducing inconsistency in the performance of AUP engagements.

5. We further support the clarification in paragraph 2, supported by paragraph A1 and A2 of ED-4400 which states that the ISRS applies to the performance of agreed-upon procedures engagements on both financial and non-financial subject matters.

51. Wirtschaftsprüferkammer (German Institute)

Overall, we believe that the draft has been appropriately clarified and – moderately – modernized to respond to the needs of stakeholders and address public interest issues.

Nevertheless, from our perspective a modernization of ISRS 4400 should also link to current development in technology (e.g. digitalization, big data, blockchain). Additionally it seems helpful to clarity that AUP might be applied in the context of group audits - if specified in the group audit procedures - in addition to audit procedures.

52. Training and Advisory Services & Chartered Accountants Academy

Yes. AUP reports are widely relied upon even by the general public and not just parties to the report and as such the clarity and modernization helps to address some of the issues. For instance, restricting the report use and declaration of independence or lack thereof where the practitioner is not required to be independent. The amendments being proposed in ED-4400 go a long way in addressing public engagement issues. Though, the disclaimer must be sufficient to force any users, other than the parties to the agreement, to first seek proper understanding of the underlying reason for the AUP before then evaluating the findings from the AUP report.

The inclusion of non-financial matters also serves the public interest as a number of the AUPs are not necessarily financial, especially in a country like Zimbabwe. Also, in line with the requirements for exercising of professional scepticism, professional judgement being emphasized serves the public interest and also compels the practitioner to be vigilant when completing AUPs.

Also, the use of non-ambiguous and confusing words also helps ensure that report users understand the procedures performed and findings therefrom. Also, the use of the “clarity format” which helps promote consistency will go a long way in also assisting the public to select practitioners based on a comparison between similar AUPs.