Responses to ED–4400
Comments to Q3 ‘Precondition for Independence’
NVivo Report 3A
(FOR REFERENCE)

01. Independent Regulatory Board for Auditors

Yes, we agree with the IAASB’s decision not to include a precondition for the practitioner to be independent when performing an AUP engagement as that would be inconsistent with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including the International Independent Standards) (IESBA Code). The IESBA Code does not require the practitioner to be independent when performing non-assurance engagements. As the practitioner is reporting on factual results from performing an AUP, we support the view that independence is less relevant because it is unlikely that factual results would be susceptible to bias, as mentioned in the Explanatory Memorandum (EM).

02. National Association of State Boards of Accountancy

As we have previously commented to the Agreed-Upon Procedures Working Group, the Agreed-Upon Procedures (AUP) engagement in the United States is considered an attest engagement as provided in the current AICPA Statement on Standards for Attestation Engagements No. 18 - Agreed-Upon Procedures Engagements and the Uniform Accountancy Act. Thus, in our view, the practitioner should be independent. AUP report users may include external parties such as banks, creditors, regulators and others that may require, expect and/or assume the practitioner to be independent. Investors or other providers of capital often request an entity to have an AUP engagement performed in lieu of an audit. The practitioner’s independence is a significant differentiator that enhances the value of AUP services to users via greater credibility and reliability in the practitioner’s findings.

A precondition for the practitioner to be independent would be appropriate for an AUP report that could or would be distributed or made available to the public for general use. To say nothing in an AUP report available to the public that was prepared by a non-independent practitioner would not be in the public interest.

03. World Bank Group

We agree that the fundamental ethical principle of objectivity – which all professional accountants who are subject to the IESBA Code (or equivalent) must abide by – is of critical importance in an AUP engagement. However, as indicated in the IESBA Code’s Glossary “independence” is not only about objectivity. Indeed, it also allows the practitioner to act with integrity and exercise professional skepticism. We would therefore encourage the IAASB to consider including a reference to integrity in addition to objectivity in the last sentence of Para. A12.

As an international financial institution, we could not accept that the practitioner performing the AUP would not be independent from the party responsible for the information subject to the AUP. Moreover, if an AUP engagement is meant to help “increased accountability around funding and grants” (first paragraph in the explanatory memorandum), our view is that relying on a non-independent practitioner cannot achieve that purpose.

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1 Exposure Draft International Standard on Related Services 4400, Agreed-Upon Procedures Engagements
A simpler decision tree with the following sequence might be more helpful. It could be presented as follows:

(i) is independence required? If not, no further enquiry would be needed.

If the answer is Yes:

is the practitioner independent?

04. Australian Auditing and Assurance Standards Board

The AUASB agrees with not including a precondition for the practitioner to be independent when performing AUP engagements.

In Australia, there were mixed stakeholder views in relation to this precondition of independence. The extant Australian standard ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings, currently requires the assurance practitioner to maintain a level of independence equivalent to the requirements applicable to Other Assurance Engagements and to disclose in their AUP report if modified independence requirements have been agreed with the engaging party/parties. There are stakeholders in the Australian market who continue to support this position – i.e. that it is difficult to argue that the practitioner is objective if they are not independent, as the second part of the independence definition of the Code of Ethics states that:

“(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a Firm’s, or an Audit or Assurance Team member’s integrity, objectivity or professional scepticism has been compromised.”

There were other stakeholders that supported the proposed ISRS 4400 not including a precondition for the practitioner to be independent. These stakeholders support this position acknowledging that the IESBA Code does not require a practitioner performing non-assurance engagements (such as AUP engagements) to be independent and that the Auditing Standards should not create such a requirement. These stakeholders are however fully supportive of the fundamental principles contained in the IESBA Code (including that of objectivity), acknowledging that the principle of objectivity requires the practitioner not compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others. These stakeholders recognised that the need to have a level of independence may be more relevant in certain engagements (for example, in relation to reporting to a regulator in relation to the use of public funds). Absent any direct legal or regulatory requirement to be independent, the practitioner and the engaging party can agree, within the terms of the engagement, the need to be independent. This is already considered in the requirement of paragraph 22(d) that addresses the need for the practitioner and the engaging parties to agree, within the terms of engagement, whether independence is a necessary precondition.

On balance the AUASB supports the proposed ISRS 4400 not including a precondition for the practitioner to be independent when performing AUP engagements. The AUASB considers that ISRS 4400 should not go beyond the fundamental principles of the Code including objectivity. However, where independence is required by law or regulation and the practitioner purports to be independent, the AUASB considers that there should be a requirement for the practitioner to disclose the criteria/framework used by the practitioner to assess independence.
04. Canadian Auditing and Assurance Standards Board

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement. In our view:

- We believe that the factors considered by the IAASB in reaching its conclusion in paragraph 15 of the Explanatory memorandum are compelling.
- Not requiring independence provides flexibility for practitioners to perform AUP engagements when the engaging party and intended user do not require the practitioner to be independent. This flexibility is particularly important in the small-and-medium sized practice (SMP) environment. SMPs often conduct compilation engagements for small-and-medium sized entities for which independence is not required and not assessed by the practitioner. Accordingly, requiring SMPs to be independent for AUP engagements (when the engaging party and the intended users do not need the practitioner to be independent) could have unintended consequences of preventing SMPs from conducting such engagements – unless they assess their independence (which could be onerous for many SMPs in terms of time and cost).

However, in cases when the practitioner is required to be independent (for example, by laws or regulations or terms of engagement), we are of the view that there should be a precondition for the practitioner to have “no reason to believe that relevant ethical requirements, including independence, will not be satisfied.” Such a precondition would be consistent with paragraph 22(a) of ISAE 3000. This precondition may be included in paragraph 20 along the following:

Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present:

(a) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement; and

(b) The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; and

(c) The practitioner has no reason to believe that relevant ethical requirements will not be satisfied including, if relevant, independence requirements.

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

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement.

07. Hong Kong Institute of Certified Public Accountants

An AUP engagement is not considered a "prohibited service" under the IESBA Code and the nature of the engagement would not impair the practitioner's independence. Therefore, we support the proposed approach in ED-4400:

- Not including a precondition for the practitioner to be independent when performing an AUP engagement; and

- Emphasizing the overarching requirement of practitioner's compliance with relevant ethical
requirements ordinary comprise the IESBA Code and national requirements that are more restrictive (paragraphs 17, A12 and A13 of ED-4400).

08. Institut der Wirtschaftsprüfer

As all members of our profession are practitioners, under German law applicable to the profession, the members of our profession must always be independent. However, these independence requirements are not the same as those for audits of financial statements or for other assurance engagements. A comparison of the independence requirements for our members not performing audits or other assurance engagements shows that these are generally covered in Part B of the Code IESBA Code of Ethics (hereinafter the “Code”) applicable to professional accountants in public practice, such as in Subsection 112 on Objectivity, Section 310 on Conflicts of Interest, and Section 330 on Fees and Other Types of Remuneration – not in the requirements in the Code for independence for audits or other assurance engagements. We therefore recognize that in other jurisdictions and under the Code, professional accountants in public practice are not required to be independent as defined in the Code for every kind of professional service provided.

The issue of whether independence ought to be required at an international level ought to be determined by the definition of independence of mind under the Code and the nature of an agreed-upon procedures engagement. In the following analysis, we analyze only the applicability of independence of mind, since independence in appearance under the Code only relates to the appearance of independence of mind: if independence of mind is not applicable, then independence of appearance cannot be applicable. Independence of mind is defined by the Code as “a state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.” This implies that independence of mind is a means to an end: the end being exercising professional judgment with objectivity, integrity and professional skepticism when expressing conclusions. First, professional skepticism as currently defined is not applicable to an agreed-upon procedures engagement. Second, we note that independence of mind serves the application of the fundamental principles of objectivity and integrity when expressing conclusions. While under the Code objectivity and integrity apply to all professional activities of professional accountants, currently only in assurance engagements as defined by the IAASB (ISAs, ISREs and the ISAEs) do they “express conclusions” (i.e., assurance conclusions or “opinions” under the ISAs, which are a form of assurance conclusion). In an agreed-upon procedures engagement under the draft, practitioners only provide “factual results” – they do not “express conclusions”. Consequently, independence of mind as currently defined by the Code cannot apply to agreed-upon procedures engagements as currently defined in the draft.

Extending independence of mind to agreed-upon procedures would involve changing the current definition of independence of mind (which is beyond the remit of the IAASB), but it also would involve changing the nature of an agreed-upon procedures engagement so that it involves some kind of expression of “conclusions” or “findings” beyond factual results, since performing procedures to obtain factual results, as noted in our response to questions 5 and 2 above, does not involve the exercise of professional judgment. For these reasons, we do not believe it to be appropriate to seek to have independence of mind required for agreed-upon procedures engagements. However, this would not preclude the IAASB from exploring and consulting with the IESBA to determine whether the ethical requirements in Part B of the Code relating to, for example, objectivity, conflicts of interest, and fees might be strengthened for agreed-upon procedures engagements.
09. The Japanese Institute of Certified Public Accountants
We agree with not including a precondition for the practitioner to be independent.

10. Auditing and Assurance Standards Board of Malaysian Institute of Accountants
We agree with the non-inclusion of a precondition for the practitioner to be independent when performing an AUP engagement given that such engagement is reporting on factual results and the IESBA code does not require a practitioner to be independent to perform such engagements.

11. Nederlandse Beroepsorganisatie van Accountants
Yes, we agree. Independence is not a requirement when performing an AUP, only objectivity is required. It is possible for the specific intended users to evaluate the objectivity of the practitioner. They can also request compliance with independence rules to be a part of the engagement as added value.

12. National Board of Accountants Tanzania
Our Suggestion:
Because threat is can be encountered anytime anywhere throughout the performance of AUP engagement, thus independence cannot be substituted with objectivity, therefore we recommend a precondition for the practitioner to be independent to be included.

13. BDO International Limited
Yes, we agree with not including independence as a precondition for the practitioner when performing an AUP engagement. For these engagements, the terms of the engagement are agreed to with the engaging party. The terms are required to include the nature of the agreed-upon procedures and an acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement as well as the nature, timing and extent of procedures to be performed. In addition, the report includes the findings from each procedure performed, including details on exceptions found. Given the factual nature of the results in an AUP engagement, this would likely reduce susceptibility to potential bias. Based on the terms of the engagement and the nature of the procedures, we believe that maintaining ‘objectivity’ is sufficient and therefore, independence should not be a pre-condition. Adopting this approach for practitioners performing non-assurance engagements, such as AUP engagements, also ensures that ED-4400 does not become inconsistent with the IESBA Code.

05. Baker Tilly
If a precondition requiring the practitioner to be independent when performing an AUP engagement is not included in ISRS 4400, we believe that the practitioner should be required to determine whether or not they are independent and state that fact in their report. We believe that knowing whether or not the practitioner is independent could affect the judgment of report users, therefore, we believe that fact should be disclosed in the practitioner’s report.

15. Crowe Horwath International
There are circumstances in which it is acceptable for the practitioner not to be independent when performing an AUP engagement. It is important to emphasise that the practitioner has to be objective.
16. Deloitte

The Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the “IESBA Code”) does not require a practitioner preforming an AUP engagement to be independent. Accordingly, under the current construct of the IESBA Code, DTTL agrees that there should not be a precondition for the practitioner to be independent when performing an AUP engagement.

Because independence requirements are established by IESBA, the IAASB will need to liaise with IESBA on independence matters. If the IAASB determines that a practitioner should be independent when performing an AUP engagement, then we suggest that the IESBA develop a specific independence framework or criteria that would apply to AUP engagements, as the independence requirements that apply to audit and assurance engagements may not be suitable. It may be appropriate for narrower requirements to be established for AUP engagements than those applicable to audits or assurance engagements. For example, the IESBA could consider the requirements for independence with respect to AUP engagements performed under the AICPA Attestation Standards in the U.S., which narrow the population of practitioners for which independence is required.

17. Ernst & Young Global Limited

Yes, we agree with not including a precondition for the practitioner to be independent when performing AUP engagements.

Notwithstanding the fact that independence may not be required by the relevant ethical requirements, we agree that the practitioner’s independence may be required or expected as a term of the engagement. For the avoidance of doubt, we believe that the terms of the AUP engagement should be required to include the status of the practitioner’s independence using wording consistent with the statement about the practitioner’s independence that will be included in the AUP report (refer to the Other Matters section of our letter for further comments).

18. Grant Thornton International Limited

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement for the following reasons:

- It would not be appropriate for an International Standard on Related Services to require independence if this is not currently required by the International Ethics Standards board for Accountants’ (IESBA) Code of Ethics for Professional Accountants (the IESBA Code).
- It allows jurisdictions to make their own determination as to whether they require practitioners to be independent when performing AUP engagements.

19. Kingston Smith

Yes, we agree that the Standard should not include a precondition for the practitioner to be independent as this would be too restrictive given the Standard needs to be capable of being applied to many different types of engagement in many jurisdictions. We believe that it should be stated clearly in the AUP report whether or not the practitioner is required to be independent and if independence is required then the report needs to contain a clear statement of independence. We do not however believe it adds much to the report.
to disclose whether or not the practitioner is independent when there is no requirement for them to be, although we do not have strong views about this matter.

However we do believe there is a need for clarity regarding independence requirements where there is more than one party to the engagement. This is relatively common and such engagements are sometimes subject to a tripartite engagement letter and sometimes to standard terms and conditions issued by (for instance) a grant giving body. We assume the requirement to declare independence relates to the entity in respect of which the AUP report is being issued, and not the grant giving body, but this is not totally clear from the Standard.

20. KPMG IFRG Limited

We agree with the IAASB’s proposal not to include a pre-condition for the practitioner to be independent when performing an AUP engagement, in particular, because the extant IESBA Code does not address independence with reference to the specific context of an AUP engagement and therefore many practitioners do not have a basis to make such an assessment.

We support the IAASB’s proposed solution, which we believe strikes an appropriate balance between acknowledging the value of independence (and recognising that this may be required in certain circumstances, e.g. when jurisdictional laws and regulations require this), whilst avoiding a requirement that may be unnecessarily restrictive, and not practicable to apply.

As the IAASB acknowledges, certain parties, e.g. regulators in particular jurisdictions, may establish requirements for a practitioner to be independent when performing an AUP engagement. We therefore suggest that IAASB liaise with IESBA to discuss how the relevant provisions within the IESBA Code would be applied to address such requirements in these circumstances, or whether amendments to the Code may be appropriate.

The current provisions in the Code enable the practitioner to assess independence in the context of performing an AUP engagement for an audit or assurance client as to whether the practitioner remains independent of that client/ in respect of that audit/ assurance engagement if they accept the AUP engagement. However, the Code does not address making such an assessment in the context of the particular AUP engagement, which has a very specific subject matter, and may involve communicating with different personnel at the entity to those with whom the practitioner communicates when performing an audit or assurance engagement. Additionally, it does not address circumstances whereby a practitioner who is not the auditor or an assurance provider to the entity is requested to perform an AUP engagement by the entity.

21. PKF

We do not agree with the non-inclusion of the independence precondition. It is very difficult to be able to prove that a practitioner acted objectively when he/she is not independent.

We wish to also bring to your attention that there may be a public perception that practitioners must always be independent of the engaging party whereas the revised standard allows the practitioner to not be independent of the engaging party.

At the very minimum, it is recommended that the standard recommend that the practitioner elaborates in his/her engagement letter and report why he/she is not required to be independent.
22. PricewaterhouseCoopers International Limited

Yes. We consider the proposals to be a pragmatic and transparent solution, recognising the inherent challenges in addressing ethical considerations that are ultimately a matter for the IESBA to consider in the Code of Ethics.

Building trust in the services provided by auditors and other practitioners providing other assurance and related services is a shared objective of the IAASB and firms alike. The practitioner's ability to perform the engagement with an objective state of mind is integral to building trust. In many AUP engagements, being independent, and being perceived to be independent, is in the public interest, for example, in relation to AUP engagements to report to a regulator on the use of public funds. In other cases, such as a private report to management, management or those charged with governance can more readily assess the need for the practitioner to be independent based on their understanding of the engagement circumstances.

We agree that it is not within the IAASB’s mandate to require the practitioner to be independent as that is a matter for the IESBA to consider within the Code of Ethics. To avoid any ambiguity on the circumstances when independence would be appropriate and in the public interest in an AUP engagement, we recommend the IAASB ask the IESBA to articulate its views on engagement circumstances when the practitioner should be required to be independent, taking into account the nature of the AUP engagement and the intended users of the AUP report.

In addition, we recommend that the standard direct practitioners to consider the public interest in accepting and agreeing the terms of the engagement by considering whether, in the circumstances of the engagement, independence would be appropriate.

Absent any direct legal or ethical requirement, the practitioner and the engaging parties can agree, within the terms of the engagement, whether independence is a necessary precondition.

23. RSM International

Yes, we agree with the independence provisions in ED-4400. Whilst objectivity is a requirement under the IESBA Code of Ethics, whether the practitioner needs to be independent should be driven by local regulatory requirements and the needs of the users of the AUP report.

24. Auditor General of Canada

Yes, we agree with the proposal to not include a precondition for the practitioner to be independent as we feel the approach taken accommodates jurisdictional differences in ethical requirements, including those in Canada, which require independence for engagements of this nature.

25. US Government Accountability Office

We believe that there should be a precondition for a practitioner to be independent when performing an agreed-upon procedures (AUP) engagement. We believe that if a practitioner is not independent for an AUP engagement, risks exist that the practitioner may have independence issues in future audit and assurance engagements with the client. Application and other explanatory material should include this so that practitioners understand the risks.
26. National Audit Office of Tanzania

I agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective).

27. Provincial Auditor Saskatchewan

Partially—AUP engagements are non-assurance engagements and the IESBA Code does not require a practitioner performing these engagements to be independent, so it is appropriate that independence is not required by the exposure draft. Section A13 appropriately addresses the fact that there may be differences across jurisdictions regarding independence requirements.

However, the exposure draft does not provide sufficient guidance for acceptance and continuance of an AUP engagement when practitioners are required to be independent in their jurisdiction. See comments on #6.

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

We agree that independence is not a necessary requirement of an AUP engagement and should only be included if it is required by users. In our view, including independence requirements would unnecessarily restrict the services SMPs can provide for no benefit.

However, for your information, we note that established practice in Australia under its existing standard ASRS 4400 Agreed-Upon Procedures Engagements To Report Factual Findings does require independence. Its requirements include that the practitioner “comply with ethical requirements equivalent to those applicable to “other assurance engagements” (the former section 291 in the International Code of Ethics), including independence unless the engaging party has specifically agreed to modified independence requirements in the terms of engagement.” (ASRS 4400, paragraph 17). Jurisdictionally consistent requirements are contained in paragraph 16 of the recently revised New Zealand standard APS-1 (Revised) Agreed-Upon Procedures Engagements To Report Factual Findings which came into force from 1 January 2019.

An independence requirement in both jurisdictions is well supported by our members. Its application is believed to add valuable credibility to the engagement and is not considered to be onerous because many AUP engagements are performed on audit clients and so users and practitioners are already familiar with the requirements.

29. Accountancy Europe

We agree. Independence is not a requirement when performing an AUP, only objectivity is required. Any specific intended users could take actions to evaluate the objectivity of the practitioner and also add independence to be a part of the engagement if this is considered necessary.

30. American Institute of Certified Public Accountants

Response: While we do not object to not including independence as a precondition to performing an AUP engagement, we note that certain jurisdictions, including the United States, as part of the jurisdiction’s
relevant ethical requirements, may require that the practitioner be independent when performing an agreed-upon procedures engagement.

31. Chartered Accountants Ireland – Audit and Assurance Committee

We agree that independence should not be included as a precondition. Mandating the requirement for independence would/may prove to be very restrictive given the context of these engagements.

32. CPA Australia

In Australia the equivalent standard, ASRS 4400, requires the practitioner to be independent unless the engaging party has specifically agreed otherwise in the terms of engagement. That standard has been well accepted since it was first issued in 2011. Nevertheless, we consider that independence may not need to be a precondition for an AUP engagement, if it is clear to users when the practitioner is not independent. In addition, if the practitioner states that they are independent, we suggest that they be required to state the applicable Independence Framework applied. Whilst the Code does not provide independence requirements for related services engagements, it does not preclude application of independence to such engagements, using the framework for audit or other assurance engagements as appropriate. Similarly independence requirements, beyond the principle of objectivity, are not contemplated in the Code for insolvency practitioners, forensic accountants or independent experts.

In some circumstances instead of including the independence requirement in the AUP standard, regulatory requirements for AUPs or the terms of engagement can require the practitioner to be independent if appropriate. We support the inclusion in terms of engagement (paragraph 22(d)) of the relevant ethical requirements with which the practitioner will comply and whether the practitioner is required to be independent.

33. European Federation of Accountants and Auditors for SMEs

We agree.

The exclusion of independence as a precondition permits greater flexibility in the application of the standard and opens up more opportunities for SMEs to benefit from added value in AUP engagements.

We welcome the reference to the fundamental principles in the IESBA Code of Ethics, in particular objectivity, and possible national ethical requirements.

34. Federation of Accounting Professions in Thailand

**Answer:** Yes, we’re agreed with not including a precondition for the practitioner to be independent when performing an AUP engagement due to the result of AUP report is the finding which the intend users will consider the finding and conclusion by themselves. Moreover, it is consistence with ethical requirement of IESBA.

35. FAR (Institute for the Accountancy Profession in Sweden)

FAR’s view is that the practitioner should be independent when performing an AUP engagement. This would be a way to reduce the risk for expectations gap from stakeholders and to add credibility to an AUP engagement.
36. FSR Danske Revisorer (Danish Institute of Accountants)

When performing an AUP engagement, the practitioner is required to comply with relevant ethical requirements to which the practitioner is subject. As stated in A12 this would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement. This requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

In principle, we agree that it is not a precondition for the practitioner to be independent when performing an AUP engagement, as an AUP engagement reports on factual findings, which are unlikely to be susceptible to potential bias. However, in practice it is difficult to argue that one can be objective if one is not independent, as one otherwise could be subject to bias, conflict of interest etc.

In our opinion, the practitioner has to assess independence and how this might influence the ability to be objective and the need for safeguards.

In our opinion, if the practitioner is not independent, it should be clear to the user of the report that the practitioner is not independent.

37. Inter-American Accounting Association

No, we disagree, we believe that this aspect is one of the requirements ignored in the current standard and is maintained in the project. The independence of the accounting professional is one of its attributes that gives confidence to the users and the public interest. We believe that at least a certain degree of independence must be required of the professional to exercise such an important task as the order with agreed scope and related services; We understand that in all circumstances in which a professional is linked in the execution of a professional service, even if it is with agreed scope must transmit its independence of judgment in relation to the other parties involved in this type of order. Not been a prerequisite the independence of the accounted from one of the other parts, which produces the information, the object of the work, or the user who feels harmed by the work, can accuse the professional of favoritism for a matter of interest Which would harm not only the professional involved but the profession. We are of the opinion that a degree of independence must be included as a prerequisite before the service is accepted.

38. Instituto dos Auditores Independentes do Brazil

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement. However, we would like to suggest the revision of the wording in the paragraph 30 (f), because the text presented in the ED can result in a misleading understanding of the independence requirements by readers. For example, in the illustration 2 of the ED, we recommend the following change:

“Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements (“ISRS 4400 (Revised)”). In performing this engagement, we are not required to be independent, which does not require us a determination regarding independence.”

39. Institut des Réviseurs d’Entreprise/ Instituut van de Bedrijfsrevisoren (Belgian Institute)

We agree.
40. Institute of Chartered Accountants in England and Wales
Yes, we agree that the ED should not include a precondition for the practitioner to be independent when performing an AUP engagement. We do not believe that a practitioner should be required to make an independence determination when not required to be independent for an AUP engagement.

41. Institute of Chartered Accountants of Namibia
Yes, the requirement to be objective is sufficient.

42. Institute of Chartered Accountants of Pakistan
We agree with proposed approach of not including a precondition for the practitioner to be independent when performing AUP engagements.

The ethical considerations are a matter for IESBA attention, and Code of Ethics does not require independence for AUP engagements. Consequently, we support the approach that allows the practitioner and the engaging parties to mutually agree, within the terms of the engagements, to set independence as a necessary precondition.

43. Institute of Chartered Accountants of Scotland
We agree with the decision not to include a precondition for the practitioner to be independent when performing an AUP engagement. We do not believe that independence is a requirement when performing an AUP engagement, only objectivity is required.

However, it would always be possible for the specific intended users to require independence as part of the engagement if necessary.

44. Institute Of Certified Public Accountants Of Uganda
The Institute of Public Accountants of Uganda (ICPAU) Code of Ethics requires a similar degree of objectivity and independence to be exercised by a member in financial reporting and similar roles outside the audit. By implication this makes it a requirement for a practitioner to be independent irrespective of the work they may be performing.

The practitioner’s independence is significant as it enhances the value of AUP services to intended users as it accentuates the perception of the practitioner being seen to be free of any undue influence. The extent of application of the independence requirements may be varied depending on the nature of the client. Professional judgment should be a guiding principle here to minimize onerous requirements particularly for small and medium sized practices.

We would thus recommend that the standard considers the aspect of independence in performing agreed upon procedures.

45. IFAC SMP Committee
The SMPC agrees with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective). Not having this as a precondition permits greater flexibility, which is of benefit to SMPs and SMEs. In addition, practitioners do
not have latitude when reporting factual findings, so whether they are independent or not should not impact the reporting of the facts.

46. Institute of Singapore Chartered Accountants

- Accounts (Code) establishes independence requirements for assurance engagements. However, We agree with not including a precondition in ISRS 4400 (Revised) for the practitioner to be independent when performing an AUP engagement. However, as there could be engagements where the engaging party/user would require the practitioner to be independent, it would be useful to have an independence framework for AUP engagements under which the practitioner can assess the practitioner’s independence.

- The International Ethics Standards Board for Accountants (IESBA)'s International Code of Ethics for Professional such similar requirements do not exist for AUP engagements. This poses a challenge to both engaging party/users and practitioners when the practitioner performing the AUP engagement is required to be independent as there is no “standard” to refer to. Hence, it would be useful to have in place an international framework for independence for AUP engagements. Where independence of practitioner is valued and required for a particular AUP engagement, this framework would then form the basis upon which to assess independence. We suggest that the IAASB take this up with the IESBA.

47. Korean Institute of Certified Public Accountants

We agree with not including a precondition for independence

48. The Malaysian Institute of Certified Public Accountants

The Institute is of the view that practitioner independence should be a requirement for AUP engagements to enhance the perceived value of AUP reports.

49. New York State Society of CPAs

We consider the issue of independence to be the most contentious matter in this ED. AUP is an attest service, and is confirmed as such in the ED as evidenced by the list of “audit procedures” listed in paragraph A22. We believe the omission from the ED of evaluating independence is unsound. Independence is a basic tenet of the profession; all practitioners providing agreed-upon procedures engagements should be independent.

The Professional Ethics Executive Committee of the AICPA (PEEC) addressed this issue in the 1980’s. Firms were required to maintain their independence, but the circumstances surrounding the provision of services did not allow firms (especially large firms with many offices) to effectively implement their control procedures over independence. The agreed upon procedures engagements were generally completed before firm-wide questionnaires (relating basically to share ownership are prior provision of non-audit services) could be answered and evaluated. As a practical expedient, the PEEC required independence only for the engagement team and for members in the office providing the service. We suggest using that approach for practitioners using ISRS 4400. We recommend the IAASB meet with the IESBA as needed to address this matter and reconcile the differing positions.
50. South African Institute of Chartered Accountants

- 55% of survey respondents agree with not including a precondition for the practitioner to be independent when performing an AUP engagement, even though the practitioner is required to be objective.

- Circumstances highlighted by survey respondents on when a precondition for the practitioner to be independent to be appropriate, were in line with paragraph 22(d) and application material paragraph A13; national codes, laws and regulations, the firms policies and procedures, or the terms of engagement may specify requirements pertaining to independence.

- As SAICA we support not including a precondition for the practitioner to be independent (even though the practitioner is required to be objective) when performing an AUP engagement as this permits greater flexibly.

51. Wirtschaftsprüferkammer (German Institute)

We agree with the IAASB to not include a precondition for the practitioner to be independent when performing an AUP engagement. The reference to the fundamental principles in the IESBA Code of Ethics (esp. objectivity) and possible national ethical requirements (ED-ISRS 4400.17, .A12 - .A13) seem sufficient.

52. Training and Advisory Services & Chartered Accountants Academy

Yes, we agree. AUP engagements, by nature, may not necessarily require the practitioner to be independent. Some AUPs require a practitioner who is well aware (au fait) with the business, operations and the industry it operates in to be able to complete an AUP engagement which addresses the procedures adequately. The ISRS should, however, emphasize the need for objectivity to be upheld even in cases where the practitioner is not independent.