01. Independent Regulatory Board for Auditors

Given that there may be engagements for which the practitioner will be required to be independent, and others for which the practitioner’s independence might not be a requirement, we support the proposed disclosure of the practitioner’s independence in the AUP report, as outlined in the table in paragraph 22 of the EM and the related requirements and application material.

We are of the view that the table in paragraph 22 of the EM is helpful, from an implementation perspective, as it summarises and clarifies the requirements and application material regarding the practitioner’s independence. We also suggest that the IAASB should consider including the table in ED-4400 as application material.

In circumstances where the practitioner has determined that he/she is independent, even though the practitioner is not required to be independent in accordance with any law or regulation, we suggest that the IAASB considers including an illustrative example on how the basis of the practitioner’s independence statement would be articulated in the AUP report in order to avoid the risk of inconsistent descriptions.

We do not believe that the practitioner should be required to make a formal assessment of his/her independence when there is no requirement for the practitioner to be independent as that would place an unnecessary obligation on the practitioner. Also, there are currently no independence requirements that govern AUPs and thus it will be difficult for the practitioner to assess his/her independence.

02. National Association of State Boards of Accountancy

Notwithstanding our response to the Request for Comment 3, if independence is not a requisite of performing an AUP engagement, then we believe that the disclosures about independence in the AUP report must be clear. The various scenarios described in the table on page 11 of the Explanatory Memorandum would be helpful to include in the final standard.

We believe that the practitioner should be required to make an independence determination in every case, even if not required, and such position should be disclosed.

The table and paragraph 30(f)(ii)(a) provide that if the practitioner is not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, that the practitioner does not have to determine independence and can simply state that the practitioner is not required to be independent. This position is not in the public interest.

A reader should be able to know whether or not a practitioner is independent. The degree of reliability, and possibly the credibility, that the reader attaches to an AUP report may differ between a report prepared by an independent practitioner and a non-independent one.

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

Disclosures about independence in the AUP report

The AUASB considers that the variability of outcomes relating to Independence as presented in the Explanatory Memorandum is currently confusing and accordingly may not be beneficial to intended users.

1. Where the practitioner is required to be independent and is independent, as stated above, the standard would benefit from criteria to be used by a practitioner to assess their independence.

2. The AUASB does not agree with the proposals that address reporting about the practitioner’s independence when the practitioner is not required to be independent and either has not determined their independence or has determined that they are not independent. If there is no requirement to be independent and this is agreed in the terms of engagement, the AUASB considers that no further disclosure in the report should be required. Disclosures currently required in the proposed ISRS 4400 are problematic for the following reasons:

   • In scenarios where there is no requirement to be independent and the auditor has not determined their independence, a statement in the AUP report to the effect that “the practitioner is not required to be independent” could lead to misinterpretation by users and lead users to draw their own conclusions.

   • In scenarios where there is no requirement to be independent and the auditor has determined that they are not independent, the criteria of such an assessment is open to interpretation. For example it is possible for the practitioner to be independent in accordance with the requirements for assurance engagements but not independent in accordance with the requirements for audit engagements. Whether the practitioner is expected to disclose that they are “not independent” in these circumstances is not clear.

The AUASB considers that the AUP report should not contain any ‘negative’ statements that may cause confusion to users of the AUP report. The AUASB suggests that the auditor should be required to state their objectivity and the basis of their objectivity (the code of ethics). Where the terms have agreed independence, the AUP report could additionally disclose that, along with the basis for how independence is determined (whether it is for other assurance or audit level independence).

05. Canadian Auditing and Assurance Standards Board

We support the IAASB’s efforts to enhance transparency regarding the practitioner’s independence. However, we have a few concerns about the proposed requirements and application material:

   • If a practitioner is not required to be independent and has not determined independence, the required disclosure in paragraph 30(f)(ii)a may give the impression that the practitioner has determined independence, especially when compared to the required disclosures for circumstances when the practitioner is aware that the practitioner is not independent.

   • Paragraph A41 seems to imply that the practitioner would only make a statement that the practitioner is not independent if the practitioner has formally determined that the practitioner is not independent. In our view, the disclosure in paragraph 30(g) should apply to circumstances when the practitioner is
aware that the practitioner is not independent even though the practitioner has not formally determined independence.

In our view, the above issues could be addressed by enhancing transparency on:

- Circumstances when the practitioner has not determined that the practitioner is independent;
- Circumstances when the practitioner has not performed an independence assessment but is aware that the practitioner is not independent; and
- Reasons for which the practitioner is not independent.

To that end, we suggest the following changes to the requirements and application material on the disclosure of independence:

30(f) With respect to independence:

(i) If required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, a statement that the practitioner is independent and the basis therefor; or

(ii) If not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, either:

a. If a determination has not been made that the practitioner is independent, a statement that the practitioner is not required to be independent and that the practitioner has not determined independence; or

b. If a determination has been made that the practitioner is independent, a statement that the practitioner is independent and the basis therefor; (Ref: Para. A40)

(a) When it is known If the practitioner is aware that the practitioner is not independent, a statement to that effect and an explanation as to why the practitioner is not independent; (Ref: Para. A41–A42)

A40. In some circumstances, the practitioner may have determined that the practitioner is independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have made the independence determination in connection with performing an audit engagement for the entity.

A41. In other circumstances, the practitioner may be aware that the practitioner is not independent without having performed an independence determination. For example, when the practitioner holds a direct financial interest in the engaging party. Alternatively, the practitioner may have determined that the practitioner is not independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have determined that the practitioner is not independent when previously considering whether to accept an assurance engagement for the entity.

A42. If a statement is made that the practitioner is not independent, the practitioner may wish to include an explanation as to why the practitioner is not independent.

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

As mentioned above we support the position taken in the ED that the practitioner does not have to be independent to perform an AUP. This is because we believe that an AUP performed by a practitioner who
is not independent has the same “value” to the users as an AUP performed by a practitioner who is independent.

In addition, we are strongly opposed to the practitioner having to make an independence determination, since he/she is not required to be independent.

The logical consequence of those positions is that there should not be any independence disclosure requirements since they can only blur the message that an AUP has the same “value” irrespective of whether it has been performed by an independent or a non-independent practitioner.

However we do not object to all independence disclosure requirements.

We are nevertheless particularly concerned with the proposed disclosures in the AUP report in the situation where the practitioner who is not required to be independent is actually not independent.

In this circumstance, we note that the ED proposes to include such statements in the AUP report. We are of the view that the proposed inclusion of “the practitioner is not independent” may create confusion for the public by falsely diminishing the value of findings from the AUP, in situations where the practitioner is not required to be independent. In this situation, we suggest to only disclose that the practitioner is not required to be independent.

In addition, regarding the topic of independence, one pertinent possible solution could be to state in the engagement letter that the practitioner is or is not independent, since the party potentially most interested in knowing whether the practitioner is independent or not is the engaging party, before engaging the practitioner.

07. Hong Kong Institute of Certified Public Accountants

We are supportive on the practitioner's independence disclosures in the AUP report in the various scenarios described in ED-4400.

Consistent with our view in Question 3 and given the practitioner's independence disclosures proposed in ED-4400, we do not consider it necessary for the practitioner to make an independence determination when not required to be independent for an AUP engagement by the relevant ethical requirements, terms of the engagement or other reasons.

08. Institut der Wirtschaftsprüfer

We agree with the approach set forth in the table in paragraph 22 of the Explanatory Memorandum because it appropriately deals with the different possibilities that might arise in practice worldwide. On this basis, making a determination of independence when not required to be independent may not be practicable for practices that do not otherwise perform engagements in which they are not required to be independent. However, we believe that the wording in paragraph 19 (f) and (g) does not accurately reflect the approach in the table. For example, in contrast to the table, paragraph 19 (g) sets forth that even if the practitioner is required to be independent but is not, the practitioner need only disclose that fact, when the table correctly posits that the practitioner is not able to accept the engagement. We suggest that paragraph 19 (f) and (g) be revised so that all of the permutations in the table are accurately covered.
09. The Japanese Institute of Certified Public Accountants

We agree with the ED regarding disclosures about independence in the AUP report except for the following four items.

- We do not agree with the idea of requiring the practitioner to determine his/her independence even when the practitioner is not required to be independent under the jurisdiction applicable to the practitioner.

- In cases where independence is required, an engagement cannot be undertaken if the practitioner’s independence is not determined, or if the practitioner is not independent. However, the content of paragraph 30(g) could be misunderstood to mean that, even in such cases, an engagement can be performed provided that the report includes a statement that the practitioner is not independent. Thus, it should be made clear that paragraph 30(g) refers to a precondition that independence is not required.

- The content relating to independence is spread out in the section of relevant ethical requirements (A13) and the sections of the AUP report (paragraphs 30(f)(i) and (ii), 30(g), A40, A41, and A42). Consequently, it is difficult to understand the overall picture with regard to how we address to and disclose an independence. We therefore think that a specific section should be created for independence in which the requirements and guidance are gathered in order to facilitate clear understanding of the overall picture.

Even if such a section is created and the structure used in the ED is to be retained, cross-references to other related content, for example, should at least be included.

- We think that the table in paragraph 22 of the explanatory memorandum should be provided in a basis of conclusion at the final release of revised ISRS4400 so as to facilitate understanding of how to handle the independence issue.

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

We support the disclosures about independence in the AUP report in various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400 in relation to assessment of independence for AUP engagement when the practitioner is required to be independent by relevant ethical requirements, terms of the engagement, or other reasons.

In circumstances where the practitioner is not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons for an AUP engagement, we believe that the practitioner should be required to make an independence determination. The practitioner should be required to disclose the basis as to why it is appropriate for the practitioner to take up the engagement despite not being required to be independent.

11. Nederlandse Beroepsorganisatie van Accountants

In our opinion it is not necessary to make a disclosure of the practitioner’s independency when this is not a requirement, and especially when the practitioner has not determined independence. Why make a disclosure about non-independence when this is not a requirement at all? We consider determining independence an unnecessary and unwanted threshold for an AUP-engagement. An alternative for a statement in the report is by mentioning that independence is not a requirement at a AUP-engagement.
12. **National Board of Accountants Tanzania**

**Yes:** The disclosures about independence in the AUP report in the table paragraph 22 of the Explanation Memorandum and the related requirements are reasonable.

**Our Suggestion:**

A practitioner should be required to make an independence determination when not required to be independent for an AUP engagement because of dealing with various threats to independence that may arise, by doing the following disclosures.

*We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements (“ISRS 4400 (Revised)”). Throughout the engagement we were required to be independent, and we are independent based on our determination in accordance with the independence provisions in [describe the relevant ethical requirements used]. Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.*

13. **BDO International Limited**

The practitioner is not required to be independent under ED-4400 or the IESBA Code of Ethics.

If there is a reason why the practitioner is required to be independent (i.e., due to law or regulation, local ethical requirements or the terms of the engagement), then an independence determination would be required. If the determination showed that the practitioner was independent, this information would be readily available for the practitioner to disclose that they are required to be independent and are independent. This would be one of the terms of the engagement and therefore, it makes sense to disclose this information. If the determination showed they were not independent, they would not accept the engagement.

If the practitioner is **not** required to be independent, we do not believe disclosure is necessary. This disclosure would lead to lack of uniformity in reporting which could cause confusion to users or place a higher level of value on reports that do not contain disclosure of the lack of independence. For example, for an engagement where there is no requirement to be independent, depending on the practitioner, the current proposal within the exposure draft could lead to three different types of disclosure:

- Where the practitioner has assessed and determined their independence, the report would state that the practitioner is independent;
- Where the practitioner has not assessed their independence, the report would state that the practitioner is not required to be independent; or
- Where the practitioner has assessed or knows that they are not independent, the report would state that the practitioner is not independent.
For the reasons noted above, our recommendation is that if independence is not required, no disclosure is necessary, not even when it is known that the practitioner is not independent. This would require removal of paragraphs 30(f)(ii) and 30(g) in ED-4400.

As a minor point, where independence is required for the AUP engagement, it is unclear what is intended by requiring disclosure of the basis for determining that the practitioner is independent. If this is just intended to be a reference to the rules against which independence was assessed (e.g., IESBA Code of Ethics, specific local independence rules, etc.), as shown in the illustrative reports in the appendix, then perhaps the wording in paragraph 30(f) should be changed to make that clearer.

14. Baker Tilly

Please see our response to specific question 3) above.

15. Crowe Horwath International

The discussion about independence in an AUP engagement is important. Transparency considerations have to prevail, and a brief reference to the state of independence of the practitioner ought to be included in the report. This recognises that the practitioner does not always have to be independent, but means that the circumstances in which the engagement has been conducted are explained in the report.

16. Deloitte

Because the current construct of the proposed standard does not require the practitioner to be independent, DTTL supports the proposed disclosures in paragraphs 30(f)(i) and 30(f)(ii)(a), requiring a practitioner to set out in the report that, either they are required to be independent by relevant ethical requirements and the basis thereof (and they are independent), or they are not required to be independent. This recognizes that there may be more restrictive ethical requirements in a particular jurisdiction or firm that impose a requirement for independence, but also provides transparency where independence is not be required, such as under the IESBA Code.

DTTL does not support the proposed disclosures in 30(f)(ii)(b) and 30(g) as we do not consider that there is any reason to require a practitioner to make an independence determination when there is no requirement to be independent. Further, without applicable relevant ethical principles, it is unclear under what framework or criteria the practitioner would make such an assessment.

DTTL believes that rather than provide transparency, a statement that the practitioner is not independent might be confusing to the reader and call into question the practitioner’s objectivity, which is not in the public interest. As noted in ED-4400, the IESBA Code requires practitioners to comply with the fundamental principle of objectivity; accordingly, we recommend adding a statement in the agreed-upon procedures report regarding objectivity.

DTTL recommends revising paragraph 30(f), adding a new statement to the agreed-upon procedures report, and deleting paragraphs 30(g), and A40-A42 as shown below:

**The Agreed-Upon Procedures Report**

…

30. The agreed-upon procedures report shall include: (Ref: Para. A37-A39)

…
(f) With respect to independence:

(i) If required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, a statement that the practitioner is independent and the basis therefor; or

(ii) If not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, either:

a. A statement that the practitioner is not required to be independent; or

b. If a determination has been made that the practitioner is independent, a statement to that effect and the basis therefor; (Ref: Para. A40)

(g) When it is known that the practitioner is not independent, a statement to that effect; (Ref: Para. A41–A42) A statement that the practitioner has fulfilled the practitioner's relevant ethical responsibilities. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which requires practitioners to comply with fundamental principles, including objectivity, which imposes an obligation on practitioners not to compromise their professional or business judgment because of bias, conflict of interest, or undue influence of others.

The Agreed-Upon Procedures Report (Ref: Para. 30–31)

A40. In some circumstances, the practitioner may have determined that the practitioner is independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have made the independence determination in connection with performing an audit engagement for the entity.

A41. In other circumstances, the practitioner may have determined that the practitioner is not independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have determined that the practitioner is not independent when previously considering whether to accept an assurance engagement for the entity.

A42. If a statement is made that the practitioner is not independent, the practitioner may wish to include an explanation as to why the practitioner is not independent.

17. Ernst & Young Global Limited

First, we find the table in paragraph 22 of the EM to be clearer than the standard in regard to the possible independence scenarios and the required reporting for each of the scenarios. In particular, it is not helpful that the independence reporting requirements are split between paragraph 30(f) and 30(g), which makes it difficult to understand how the requirements are expected to be operationalized together.

When the practitioner is independent, we are supportive of the new requirement for the practitioner to include a statement in the AUP report asserting their independence and the basis therefor. We strongly believe that independence should not be asserted without also including the underlying basis, as the basis may vary depending on the relevant ethical requirements in the jurisdiction or the terms of the engagement. However, we do not agree with the proposals that address reporting about the practitioner's independence when the practitioner is not required to be independent and is not prepared to assert their independence voluntarily. The paragraphs that follow explain our rationale.
When independence is not required by the relevant ethical requirements or by the terms of the AUP engagement, we agree that the practitioner should not be required to make an independence determination. We have this view not only because of the complexity that may be involved in determining of independence, but also because, in these circumstances, the independence requirements that the practitioner is to measure their independence against may not be known or defined.

In particular, the IESBA Code of Ethics does not define independence in the context of an AUP engagement. Accordingly, when the IESBA Code of Ethics comprises the relevant ethical requirements for an AUP engagement, we do not believe that it would be appropriate for the practitioner to be required or otherwise expected to make an independence determination. For the same reasons, we also do not believe it is appropriate for the practitioner to determine that they are “not independent”. For example, under the IESBA Code of Ethics, it is possible for the practitioner to be independent in accordance with the requirements for assurance engagements but not independent in accordance with the requirements for audit engagements. Whether the practitioner is expected to disclose that they are “not independent” in these circumstances is not clear.

Regarding the reporting requirements when independence is not required for the AUP engagement (and the practitioner is not voluntarily asserting their independence), we believe that the proposal to simply require a statement that “the practitioner is not required to be independent” is subject to misinterpretation by users. This statement will inappropriately allow users to make their own assumptions about the status of the practitioner’s independence. It is unreasonable to expect a user to understand the reporting scenarios in ED-ISRS 4400 and know that, if the practitioner was independent, the AUP report would have an explicit statement to this effect. At a minimum, we believe that the statement that “the practitioner is not required to be independent” needs to be clarified and enhanced to avoid the possibility of users inappropriately assuming the practitioner is independent.

Our recommendation is to expand the required statement in the AUP report to be “ISRS 4400 does not require us [the practitioner] to be independent to perform this engagement and, accordingly, we neither have assessed nor formed a conclusion regarding our independence”. We are further recommending that this requirement also replace the extant and ED-ISRS 4400 requirement for the practitioner to disclose that they are “not independent”. Our rationale is as follows:

- Our suggested requirement will result in a consistent statement in the AUP report when independence is not required
- We believe the wording we have suggested will more explicitly convey to users that they cannot make any assumptions about the practitioner’s independence
- The requirement to disclose when the practitioner is “not independent” is not capable of being consistently applied without an explicit basis in the standard or in relevant ethical requirements against which this determination is to be made

18. Grant Thornton International Limited

We agree with not including a precondition in ED-4400 for the practitioner to be independent in order to perform an AUP engagement and also with disclosing information in the report regarding independence. We note that the proposed reporting requirements are complex, as evidenced by the necessity to use a table in the EM to explain the options. Some users may not be clear about the implications, if any, when the report discloses that the practitioner is not required to be independent or alternatively is not
independent. Users may also be confused by this lack of consistency between reports in respect of independence. However, on balance, we believe that this complexity is hard to avoid and that the risk of confusion can be mitigated by timely and appropriate communication.

We also refer to our response to the Discussion Paper regarding the inclusion of a statement in the auditor’s report that the practitioner is not independent. In that response we had recommended that where a statement that the practitioner is not independent is made, the nature of the matter or relationship that causes the practitioner not to be independent should also be included. We note that this practice is consistent with requirements currently existing in certain jurisdictions. For example, in Canada, Rule 204.10 requires that the report issued by a practitioner who is not required to be independent discloses “the nature of the activity or relationship and the nature and extent of the interest”. As such, we reiterate this recommendation.

In our response to the Discussion Paper, we also expressed the view that a statement regarding independence have appropriate prominence within the report and are pleased to note that the illustrative AUP reports in Appendix 2 to ED-4400 includes this statement in the first section of the report.

19. Kingston Smith

Please see our response to the above question. We do not see the point of requiring a practitioner to make an independence determination when there is no requirement for them to be independent. If a statement of whether or not a practitioner is independent is mandated to be included in reports where there is no requirement for independence, it could lead to a perception that a report issued by a practitioner that is not independent is of lesser value than one issued by a practitioner that is independent, which we presume is not the intention of the Standard.

20. KPMG IFRG Limited

We agree with the IAASB’s view that transparency regarding the practitioner’s independence (in particular, the lack thereof), as set out in the Explanatory Memorandum (EM), is important to the public interest. In connection with the aim to improve transparency, we note that, in accordance with the requirements in the extant standard, when a practitioner states that they are not independent, this may lead to stakeholder confusion as to whether the practitioner is, in fact, not independent or whether the practitioner has just not assessed independence, as they are not required to do so-it is not practicable to do so, since the extant IESBA Code does not include related criteria.

Accordingly, we are supportive of the IAASB’s aim to improve clarity around independence disclosures in the practitioner’s report, whilst adhering to the principle that independence is not a required precondition when performing an AUP engagement. We agree that the revisions proposed in the ED allow for the different permutations of the interaction of ethical requirements set out in the extant IESBA Code and/or local legal or regulatory requirements that may be more stringent; any terms of the AUP engagement itself that may set out additional requirements; the engagement circumstances, such as whether the report will be made publically available, and whether or not a practitioner has actually determined independence.

These are set out in the table at paragraph 22 of the EM, and we suggest that this table be included in the application material to the final standard, as it is clear and helpful. We suggest that the table, and the requirements at paragraph 30 of the ED, be modified to address the situation where the practitioner is not required to be independent, such that this fact is stated in all circumstances, and the practitioner then discloses whether or not an assessment of independence has nevertheless been made, and the results of
that assessment, if any, given that this appears to cause some confusion further to the extant standard requirements.

Furthermore, this may be an area where exercise of professional judgement is required and therefore we recommend including this as a specific example of the exercise of professional judgement at the preliminary stages of the engagement.

We are supportive of the objective of transparency and the proposed requirement, at paragraph 30(g), that irrespective of the fact that the standard does not require the practitioner to be independent, the practitioner states that they are not independent, when this fact is known. (We note that this requirement should also include that the practitioner should state the basis for the assessment, similar to paragraph 30(f)(ii)b). However, we agree, as we describe in our response to the previous question, that a practitioner should not be required to make such an assessment.

We recommend that in these circumstances the ED require, in addition to a statement of non-independence, that the practitioner explain that ISRS 4400 (Revised) does not require the practitioner to assess independence; to clearly state the basis that the practitioner has used to make the determination of non-independence, e.g. a jurisdictional legal/regulatory framework, and to also state that the practitioner has complied with relevant ethical requirements. Furthermore, in respect of relevant ethical requirements, it may be helpful for the practitioner to comment that they have complied with the principles of professional competence and objectivity, as users may otherwise question the value of the engagement and the practitioner’s report. We suggest that the application material provide appropriate guidance to practitioners regarding the above.

In stating that we are supportive of the proposed requirement at 30(g), we note that ISRS 4410 (Revised), Compilations, contains an equivalent requirement to disclose non-independence, and conceptually we believe the two standards should be aligned in this area since both are non-assurance engagements in which no opinion/conclusion is provided. We suggest that the Board explore the application of the requirement in ISRS 4410 (Revised), in practice, to understand whether there may be any unintended consequences resulting from the proposed requirement based on the application of jurisdictional frameworks.

We highlight that statements that a practitioner is not independent, has not assessed independence and/or is not required to be independent for purposes of an AUP engagement may cause confusion to users of the report when the practitioner is also the independent auditor of the entity, in particular, when the AUP report may be distributed to a wide readership who may not understand the difference between being independent for the purposes of the audit and not being independent in the specific context of the AUP engagement.

To address this concern, we recommend that the IAASB include guidance in the application material that practitioners may consider inclusion of commentary in their report to describe that the practitioner is not required to assess independence for the purposes of an AUP engagement, but that they were/are required to for the audit engagement at the entity, and they were/are independent for purposes of the audit.

21. PKF

This has been dealt with in question 3.
22. PricewaterhouseCoopers International Limited

With respect to the required statement in the AUP report, we agree in principle. We strongly support the inclusion of a statement regarding the practitioner’s independence status in all cases, not just when the practitioner is not, or is not required to be, independent. We also agree that, in the circumstances when the practitioner is not required to be independent, there would be no reasonable grounds on which to require the practitioner to make a formal assessment of their independence for the purposes of making a positive statement as to their independence.

We have a number of observations on the proposed statement.

Paragraphs 22 (d) and 30 (f) (i) do not provide any reference point against which the practitioner would assess independence, when this is required for reasons other than law or regulation, such as the terms of the engagement or other reasons. The use of the term “and the basis therefor” appears vague – the basis should not be entirely at the discretion of the practitioner. We recommend that the requirement could be enhanced by drawing on the language used in ISA 700 (Revised), as shown below:

(i)  if required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, a statement that the practitioner is independent and the basis therefor. The statement shall identify the jurisdiction of origin of the relevant ethical requirements, or refer to Part 4B the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants;

In the circumstances per paragraph 30 (f) (ii) b, when the practitioner is not required to be independent in accordance with any law or regulation but has concluded they are independent (either as the auditor of the entity or based on an assessment of the principles within the IESBA Code of Ethics, such as Part 4B), we believe it would be useful to provide an explanation and illustration of how the basis for the practitioner’s statement may be articulated. See comments on paragraph 30 (f) (i) above. This may help avoid confusion and the risk of inconsistent descriptions arising.

When the practitioner is not independent, we support the guidance in paragraph A42 addressing consideration of including within the report an explanation as to why the practitioner is not independent.

AUP engagement contracts can often be entered into with multiple engaging parties. For example, a funding bank and entity in receipt of such funding, or a government granting authority and the entity in receipt of such grant. We recommend that the proposed standard provide clarity with respect to independence considerations and the proposed statement within the AUP report as to which entity(ies) this specifically applies when there are multiple “engaging parties”. For example, we do not believe the intent is to address the practitioner’s independence of any third-party engaging party such as a bank.

See also our response to question 3 regarding a precondition for the practitioner to be independent.

23. RSM International

We agree with the disclosure about independence in the AUP report and do not believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement. We consider that, in these circumstances, the requirement for objectivity in the IESBA Code of Ethics is sufficient.

As long as the reader is made aware of the regulatory requirements regarding independence and, where relevant, the assessment made by the practitioner regarding their independence, we believe that this is sufficient.
In order to further clarify the position, we consider that it would be useful to include the table in paragraph 22 of the Explanatory Memorandum in the final ISRS4400.

24. Auditor General of Canada

We are supportive of the disclosures about independence in the AUP report as proposed and described in paragraph 22 of the Explanatory Memorandum.

We do not believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement.

25. US Government Accountability Office

Based on the table in paragraph 22 of the Explanatory Memorandum, we expected there to be additional explanatory paragraphs related to independence for both agreeing to and reporting on the engagement. The majority of the discussion and related explanatory paragraph are focused in the reporting paragraph, rather than in the agreeing to the terms of the engagement paragraph. The International Auditing and Assurance Standards Board (IAASB) should consider incorporating a version of the table in paragraph 22 in the application and other explanatory material.

26. National Audit Office of Tanzania

In my view the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400 are appropriate.

27. Provincial Auditor Saskatchewan

The table in paragraph 22 and the related requirements and application material are appropriate, except for the two issues described below.

1) Unknown if practitioner is independent/practitioner not required to be independent: We do not think that a practitioner should be required to make an independence determination when not required to be independent for an AUP engagement. In such cases, the independence of the practitioner is irrelevant to the engagement.

2) Practitioner is independent/practitioner is required to be independent: The exposure draft does not include sufficient guidance for acceptance and continuance when a practitioner is required to be independent, see #6 below.

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

We believe that the disclosures proposed by the standard are adequate.

We do not believe that a practitioner should be required to make an independence determination when they are not required to be independent. Such a determination involves the practitioner in unnecessary work which serves no purpose. A comment that the engagement is not subject to independence requirements should be sufficient to guide users of the report in this matter.
29. Accountancy Europe

Independence is such a hot issue for the moment, in the context of the auditing profession, that it is important to address it in a transparent manner. We agree that specific clarification is useful when the AUP engagement is not subject to an independence requirement. We also agree that the AUP report must state that the practitioner has fulfilled relevant independence criteria (together with the basis for determining independence, where applicable) when a practitioner carrying out an AUP engagement is required to be independent.

We further agree that, where applicable, the AUP report may state that the practitioner has fulfilled relevant independence criteria (together with the basis for determining independence, where applicable), even when the practitioner is not required to be independent, and note that this remains optional, as the alternative is to include a specific clarification that the AUP engagement is not subject to an independence requirement. However, we question the requirement to report the additional confirmation that the practitioner is not independent, since this can only be applicable where this fact has been established and not where independence has not been explored. In our view clarification that the AUP engagement is not subject to an independence requirement is sufficient. If this is pursued though, in practice, the IAASB will have to assess whether this disclosure gives rise to unintended consequences, such as the fact that a report stating that the independence determination has not been made is seen as a lesser report. It will be important to monitor practice and exchange with other stakeholders on how this disclosure is perceived.

Additionally, it would be helpful to further explain to whom the independence requirements apply where there are multiple parties involved and tripartite engagement letters and that the practitioner should limit their independence determination towards the responsible party.

30. American Institute of Certified Public Accountants

Response: We are supportive of the proposed transparency with respect to independence in the AUP report.

31. Chartered Accountants Ireland – Audit and Assurance Committee

We agree with the approach taken in the Standard with regard to the required disclosures on independence. We would suggest that the Table provided in the Explanatory Memorandum that outlines all potential scenarios should be added to the application material of the Standard. This would help eliminate any confusion or misinterpretation by practitioners in this respect.

32. CPA Australia

We recommend that whether or not the practitioner is independent needs to be made clear, and, if so, against which framework their independence has been assessed, not only to the engaging party in the terms of engagement, as noted in answer to question 3 above, but also to users by including a statement in the report of factual findings. Therefore, we agree that the scenarios provided in paragraph 22 are appropriate only where a “yes” or “no” response can be provided to whether the practitioner is independent, with the additional clarification of the independence framework applied. The independence framework applied may be that provided in the Code for audit or other assurance engagements or a regulatory framework. We consider that an independence assessment is necessary in order to inform users, as this may impact the reliance they place on the report. In practice an AUP engagement is typically sought when it is a regulatory requirement, which in Australia is often in combination with an audit or review engagement,
or where the engaging party is relying on the competence and expertise of a practitioner experienced in audit and assurance to conduct the procedures. If the report is silent on independence, users may assume that the practitioner is independent as the engagement is conducted under the auditing and assurance standards issued by the IAASB.

33. European Federation of Accountants and Auditors for SMEs

We agree with the approach set out in the table.

The table adequately displays the different possibilities that might arise in practice. We believe that when the practitioner carrying out the AUP engagement is required to be independent then the AUP report should state that the practitioner has fulfilled relevant independence criteria. However, we do not believe in requiring the practitioner to make an independence determination when they are not required to be independent. The determination of independence is unnecessary for such an AUP engagement and adds no value to the users.

34. Federation of Accounting Professions in Thailand

**Answer:** We're agreed with the disclosures about the independence in the AUP report in the various scenario described in the table in paragraph 22 of the Explanatory Memorandum which it is the same as section 30(f) in the standard. The circumstance that should be required to make an independence determination when not required to be independent for an AUP report, for example, in case that the Stock Exchange of Thailand ask the audit firm who also provide the auditing service to do the special audit over serious matter, then the independence determination will make AUP report and finding have more reliability. For the disclosure that might appropriate for this circumstance, practitioner can use illustration 1 of Appendix 2 “In performing this engagement, we are independent based on our determination in accordance with [Firm policy].”

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

As expressed in the answer to question 3) FAR’s view is that the practitioner should be independent, but if the practitioner is not required to be independent the AUP-report should be transparent about this fact. The practitioner’s independence is a public interest for assurance engagements. The public’s knowledge of the difference of an assurance engagement and an agreed-upon procedure engagement is low. For this reason, it is important information for the reader of the AUP-report to know if the practitioner is required to be independent or not and if the practitioner is independent or not. Therefore, the transparency regarding the practitioner’s independence is of public interest. FAR agrees with the table in paragraph 22 of the Explanatory Memorandum To ED-4400. If the practitioner is not required to be independent FAR does not believe that the practitioner should be required to make an independence determination.

36. FSR Danske Revisorer (Danish Institute of Accountants)

The proposed disclosures related to the practitioner’s independence will, in our opinion, cause confusion to the users of the AUP report. The proposed disclosures about independence in the AUP report do not explain the consequences of the practitioner’s lack of independence or lack of assessment of independence, nor the difference between not being independent or not having assessed independence.
Furthermore, it is in our opinion inappropriate that the practitioner can refrain from assessing independence. The practitioner should always be required to make this assessment, so that the practitioner can assess how independence has an impact on objectivity, hereunder the conduct of the AUP engagement.

In our view, the AUP report must as a minimum always state whether the practitioner is independent or not. If the practitioner does not assess his/her independence, the practitioner must state in the AUP report that he/she is not independent, as it is too unclear for the user of the report what the consequence is of the practitioner not having assessed independence.

37. Inter-American Accounting Association

While the table in paragraph 22 of the explanatory memorandum to ED-4400 is illustrative of the scope of the agreed Commission and the justification of the non-requirement of independence supported by the content of the AUP report, specifically in the Requirements of paragraph 30 (f) (ii) and other related, however, we understand that this SSRIs 4400 must explicitly contemplate in their requirements, as prior, independence. We do not agree that the fact of being onerous is a justification for exclusion. We believe that in all cases the professional must be required to be independent and not only when the code of ethics requires it.

We believe that independence, in all cases for this standard, should be disclosed on the request of the standard to provide greater transparency assurance and to provide greater security to all parties involved and to avoid or lessen possible conflict as consequence of the doubts generated by the lack of an explicit revelation of independence.

38. Instituto dos Auditores Independentes do Brazil

We have diverging views about this topic among firms associated with Ibracon. Some of our associates do not agree with the view mentioned in the table of paragraph 22, as they believe that, in all scenarios the practitioner is not required to be independent and, hence, it is sufficient to include a statement that ‘the practitioner is not required to be independent’ in the AUP report.

Nevertheless, some of our associates believe that, in circumstances where the auditor is not required to be independent, if he or she is independent, the AUP report should contain a statement that the practitioner is independent and the basis thereof. When he or she is not independent, it would be appropriate to include a statement in the AUP report that the practitioner is not required to be independent and that the practitioner is not independent.

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

Independence is a major characteristic of the profession. We support the approach taken by the Board, this is to be transparent about whether or not the practitioner is independent or not.

We also support that the terms of the engagement may require independence of the practitioner as explained in paragraph A13 in fine. This option may be important when the intended user is a regulator.

40. Institute of Chartered Accountants in England and Wales

We do believe, however, that the independence provisions in the standards need further clarification in circumstances where there is either more than one party to the engagement (for example, where there might be a tripartite engagement letter) or a different engaging party. It clearly should be the entity subject
to the AUP (the responsible party) for which the practitioner needs to declare their independence status. However, if the practitioner is not independent of a third-party requester (e.g., a bank or regulator) we do not believe that the standard intends for there to be a declaration of independence or not from that ‘engaging party’. It would, however, be helpful to have further clarification in the standard on this.

41. Institute of Chartered Accountants of Namibia

Is it not unnecessary to require disclosure of the fact that a practitioner is not required to be independent, if that is in fact the case? The basis for this view is that, due to the nature of agreed-upon procedures, especially with the additional guidance and clarity added by this exposure draft, whether the practitioner performing the procedures is independent or not is irrelevant and therefore this level of transparency to users does not add any value. It could in fact reduce the value of the report and lead users to question the validity of the report if it states that the practitioner who signed off on the document is not required to be independent. They may not understand that the validity of the document and its procedures is not impacted by the independence of the practitioner. It is therefore recommended that the requirement for disclosure should relate only to those practitioners who are required to be independent by their relevant jurisdictions.

42. Institute of Chartered Accountants of Pakistan

IESBA Code of Ethics does not specify independence for AUP engagements. We believe that without being able to link back to specific IESBA independence requirements, the proposed independence statement in the report may become confusing to users, as inconsistencies in how the requirements are applied in practice and included within the AUP report may arise. We believe that it would be useful to provide an explanation and illustration of how the basis for the practitioner’s statement may be articulated.

Further, we do not support the proposed requirement to state that the practitioner is independent in circumstances in which there is no requirement to be independent. Such a statement would create confusion for the user and reduce the usefulness of the AUP report.

43. Institute of Chartered Accountants of Scotland

Independence is an important and topical issue for the auditing profession at the moment emphasising the need for greater clarity and transparency about this matter. We agree that specific clarification is useful when the AUP engagement is not subject to an independence requirement. Furthermore, we agree that when a practitioner carrying out an AUP engagement is required to be independent, the AUP report may include a statement that the practitioner has fulfilled relevant independence criteria (together with the basis for determining independence, where applicable).

44. Institute Of Certified Public Accountants Of Uganda

If independence is not a requisite of performing an AUP engagement, then we believe that the disclosures about independence in the AUP report must be made and these must be clear.

The various illustrations in para 22 (page 11) of the Explanatory Memorandum would be helpful to include in the final version of the standard as this would guide the intended users’ level of reliance on the report of findings; By not requiring a practitioner to be independent and permitting the practitioner to disclose that they are not required to be independent (para 30, page 25- ISRS 4400) would materially fetter the purpose of clarifying, enhancing and modernizing the extant ISRS 4400 to serve in public interest.
45. IFAC SMP Committee

We agree that a specific clarification is useful when the AUP engagement is not subject to an independence requirement.

We also agree that the AUP report must state that the practitioner has fulfilled relevant independence criteria (together with the basis for determining independence, where applicable) when a practitioner carrying out an AUP engagement is required to be independent.

We further agree that, where applicable, the AUP report may state that the practitioner has fulfilled relevant independence criteria (together with the basis for determining independence, where applicable), even when the practitioner is not required to be independent, and note that this remains optional, as the alternative is to include a specific clarification that the AUP engagement is not subject to an independence requirement.

However, we question the use to readers of a requirement to report an additional confirmation that a practitioner is not independent, since this can only be applicable where this fact has been established, but not where independence has not been explored (the extant requirement (para 7 of existing ISRS 4400) should not be included if the Board allows that the practitioner not to check independence). It may be onerous in some cases and also adds confusion for the users. In our view, clarification that the AUP engagement is not subject to an independence requirement is sufficient.

46. Institute of Singapore Chartered Accountants

Our stakeholders have different views as to the disclosures required when independence of the practitioner is not a requirement.

Some of them opine that the inclusion of a statement that the practitioner is not required to be independent may reduce the perceived value of the report and undermine the work of the practitioner. This is especially so when the intended users of the report do not understand why independence of the practitioner is not required for a certain AUP engagement.

Others believe, however, that such a statement is good from a public interest perspective as it enhances transparency.

The IAASB may wish to consider the views of users of AUP reports across different jurisdictions as to whether such a statement would reduce the perceived value of the AUP report to determine if the statement should be mandated when independence of the practitioner is not a requirement. Alternatively, if the statement is required to be included in the report, it can be substantiated with reasons why independence is not necessary for the engagement. This would achieve transparency and minimise misinterpretation by intended users.

In addition, we suggest that the table in paragraph 22 of the Explanatory Memorandum be included in ISRS 4400 (Revised) itself to enhance the clarity on the disclosures required in the various scenarios.

47. Korean Institute of Certified Public Accountants

We agree with independence disclosures under the scenarios described in the table in para. 22 of the Explanatory Memorandum and the related requirement and application material.
48. The Malaysian Institute of Certified Public Accountants

As mentioned in our response to Question 3 above, our view is that practitioner independence should be a requirement for AUP engagements.

However, if it is decided otherwise that there is no requirement for the practitioner to be independent for an AUP engagement, we believe that disclosures in the AUP report should still be required to state whether the practitioner is or is not independent. In addition, if the practitioner is indeed not independent, the disclosures should be expanded to state why the practitioner is still able to undertake the AUP engagement to promote transparency and to reduce any negative perceptions on the suitability of the practitioner to perform the procedures.

49. New York State Society of CPAs

We support the IAASB’s effort to provide an alternative with varied disclosure options, but as stated in the response to question 3 the alternative is not the most desirable. If independence is not put in place as a requirement, the alternatives postulated in the ED are all acceptable and we have no strong preference in the proposed guidance, including disclosure options.

50. South African Institute of Chartered Accountants

We support the IAASB’s view that it is in the public interest to enhance transparency regarding the practitioner’s determination of independence as reflected in paragraph 30(f) and 30(g) of ED-4400.

The majority of the survey respondents indicated that they agree with the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400.

It was however noted that the table included in paragraph 22 of the Explanatory Memorandum provides a clear summary of the requirements and application material regarding the practitioner’s independence and it was suggested that it is included as an appendix to ISRS 4400 (Revised). It is further suggested that paragraph A13 is expanded to clearly state when the practitioner is not able to perform the engagement because the practitioner is not independent and is required to be independent by relevant ethical requirements, terms of the engagement, or other reasons.

Where independence is not required by relevant ethical requirements, terms of engagement, or other reasons and the practitioner has not determined independence, it is suggested that the statement is clarified as follows, to increase the users’ understanding: “the practitioner has not determined independence due to independence not being required / not being a requirement”.

We do not believe it is necessary for the practitioner be required to make an independence determination when not required to be independent as this can be onerous in certain circumstances and could result in confusion for the users of the AUP report.
51. Wirtschaftsprüferkammer (German Institute)

We agree with the approach set forth in the table in paragraph 22 of the Explanatory Memorandum. The table adequately displays the different possibilities that might arise in practice. On this basis, making a determination of independence when not required to be independent does not seem reasonable.

52. Training and Advisory Services & Chartered Accountants Academy

We do not agree with the requirement to have the practitioner disclose when they are not independent even when there is no requirement to be independent.

We do not believe that the practitioner should be required to make an independence determination when not required.

The report may be used by other users who were not party to the agreement and the declaration of non-independence may undermine the report in the eyes of users even though the quality of the report itself is not impacted by the practitioner’s non-independence. Independence assessment should only be performed and disclosed in cases where the practitoner is required to be independent.