Responses to ED–4400¹
Comments to Q6 ‘Engagement Acceptance and Continuance’
NVivo Report 6A
(FOR REFERENCE)

01. IRBA

Yes, the requirements and application material are appropriate. Requiring the engaging party to
acknowledge that the expected procedures to be performed by the practitioner are appropriate is important.

Further, requiring that an AUP and related findings be described objectively in terms that are clear, not
misleading and not subject to varying interpretations is appropriate in addressing the confusion over what
an AUP engagement entails.

02. NASBA

We agree with the requirements and application material in paragraphs 20-21 and A20-29. However, we
believe that there should be an additional requirement to assess whether the practitioner has the
expertise and competence to perform the engagement.

03. WB

The requirements are appropriate in our view.

04. AuAASB

The AUASB considers that the requirements in paragraphs 20-21 are appropriate for engagement
acceptance however notes that the standard could include more detail on:

A. the practitioners’ consideration of whether an assurance engagement may be required; and
B. understanding the needs of intended users

Practitioners’ consideration of whether an assurance engagement may be required

The AUASB considers that more should be done to differentiate an AUP engagement from an assurance
engagement (see suggestion c) below), and that the practitioner should apply their judgement not to accept
an AUP if the intended user/engaging party might misconstrue the nature of this service.

The AUASB makes the following suggestions:

a) Apply the concept in paragraph 21 of the Australian Standard ASRS 4400 Agreed-Upon Procedures
   Engagements, that the practitioner shall not accept an agreed-upon procedures engagement if, in the
   professional judgement of the assurance practitioner the circumstances of the engagement indicated
   that the intended users are likely to construe the outcome of the engagement as providing an assurance
   conclusion about the subject matter.

b) The standard could also benefit from an introduction similar to the Australian Standard’s ASRS 4400
   paragraphs 4-6 which articulate how an AUP engagement is different to assurance, consulting,
   compilation and business services. This would be helpful to include to ensure that practitioners globally
   are clear on these differences themselves. They could use this language to assist them in their
   conversations with clients when discussing how their service types can help solve various client issues.

¹ Exposure Draft International Standard on Related Services 4400, Agreed-Upon Procedures Engagements
c) Finally, ASRS 4400 has two dedicated appendices (1 and 2) to this topic and practically how AUP differs from assurance. Appendix 1 focuses on differentiating factors between the two services and Appendix 2 provides examples of differences in scope. This could be invaluable to practitioners to keep a clear distinction globally between these service offerings and avoid any potential creep of an AUP turning into a quasi-assurance engagement.

Understanding the needs of intended users

The AUASB is supportive of the inclusion of the pre-condition as set out in Paragraph 20(a) of ED-4400 where ‘the engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement’. We also agree with the IAASB’s position that this requirement should not be extended to cover acknowledgement that the procedures are appropriate for the purpose of the intended users as it may not be possible or practical to do so.

However, the AUASB recommends additional requirements and guidance in the following areas:

a) Application material to guide practitioners to obtain a statement from the engaging party that the procedures are appropriate to the needs of the engaging party and other intended users or that they considered their needs in agreeing to the procedures. Otherwise there is more onus on the practitioner to look at communication and correspondence between the engaging party and the intended users, to follow up regarding absence of response from intended users, or to use judgement to determine whether procedures are appropriate.

b) It would be helpful to include a precondition to consider whether there is a rational purpose to the engagement. This would relate to the exercise of professional judgement in considering whether to accept, and to plan the engagement, with regard to the consideration of the purpose of the engagement. Paragraphs 20(b), 21 (which are somewhat duplicative), related application material, and A28 discuss whether the procedures agreed are appropriate to the purpose of the engagement, but it would be helpful to have a higher-level requirement around the purpose itself, linked to the practitioner’s understanding of the needs of the intended users.

For example, paragraph 21 (e) of the Australian Standard ASRS 4400 states that the assurance practitioner shall not accept an agreed-upon procedures engagement if, in the professional judgement of the assurance practitioner, the engagement has no rational purpose. This is particularly important if the engaging party wishes for the report to be distributed to other parties who may not understand what an agreed upon procedures report is and how it differs from assurance (and the fact that the practitioner has not verified any data that may be included in the report).

c) The AUASB notes that the standard contemplates the practitioner’s report being made more widely available, e.g. to the general public on a website. In such situations, the practitioner may have difficulty identifying the intended users, and there may be user groups that are not intended users – it is unclear what the practitioner’s responsibility would be towards such groups. In this regard, we also note a lack of clarity in terminology between “users” and “intended users”, as the IAASB appears to use these terms interchangeably. We believe the practitioner, together with the engaging party, should attempt to identify and meet the needs of intended users, but that the standard should clarify that they do not have a responsibility towards additional users who are not intended users.
independent, we are of the view that there should be a precondition on independence similar to that in paragraph 22(a) of ISAE 3000.

06. CNCC-CSOEC

We believe that the requirements set out in paragraphs 20-21 are appropriate. We suggest to enhance the flow by switching the two paragraphs, as it seems more logical for the practitioner to obtain an understanding of the purpose of the engagement before examining whether the engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement and before determining whether the agreed-upon procedures and related findings can be described objectively.

In paragraph 20, we suggest referring to paragraphs A28 and A29 instead of A26 and A29.

Furthermore, we suggest adding a reference to paragraph A15 in paragraph 20(a) and a reference to paragraph A16 in paragraph 20(b), as professional judgment is applied in the acceptance of the AUP engagement.

With respect to the related application material paragraphs:

− In paragraph A22, we propose to reinforce the fact that the procedures performed in an AUP engagement are not designed by the practitioner to obtain reasonable or limited assurance evidence, by adding an example of an AUP engagement that would be acceptable, and an AUP engagement that would not be acceptable on a similar subject matter. We believe the following example could help distinguishing an AUP engagement with an assurance engagement: “Confirm that the data used in the determination of the provision recorded by the entity was correctly computed according to the formula described in the accounting standard XYZ” does not provide assurance on the valuation of the provision. “Evaluating the appropriateness of data used in the making of the provision” may provide assurance and may not be suitable for an AUP engagement.

− In paragraph A23, we suggest including additional terms that may be misleading such as “evaluate”, “ascertain”, “assess”, “examine”, and “verify”

− We believe that A28 is unclear. We suggest rewording this paragraph as follows:

> “Facts or circumstances suggesting that the procedures may be inappropriate for the purpose of the agreed-upon procedures engagement may include, for example, procedures on subject matters that are unreliable or procedures that deal with existence of inventory whereas the purpose of the engagement is concerned with relates to the completeness of inventory.”

It would also be useful for the application material to explain that the judgment regarding the appropriateness of the procedures involves determining that the procedures will not result in a report that may convey misleading information or be misunderstood by users.

07. HKICPA

In general, we believe the practitioner will need to determine the following as part of the engagement acceptance and continuance consideration:

− Whether there is a need for an expert on the subject matter of the AUP engagement;
− Whether experts are available if needed; and
− Whether the practitioner has sufficient understanding of the subject matter to understand the expert’s work and what constitutes an exception in the context of ED-4400.
We would recommend that IAASB considers adding the criteria in paragraph 28(a) to (c) of ED-4400 to be considered for engagement acceptance and continuance.

With respect to paragraphs 20 and 21 of ED-4400, we believe additional guidance should be developed when assessing the acceptance of an AUP engagement involving non-financial information. For example, whether the subject matter information can be measured objectively and is appropriate for the purpose of an AUP engagement; whether the practitioner is competent to understand the subject matter information and is capable to perform the procedures objectively; if there is a need for an expert, whether the practitioner is able to understand the expert’s work and what would constitute an exception. In addition, we recommend paragraph A28 be expanded to include examples of non-financial subject matters in the context of an AUP engagement.

08. IDW

We agree with the requirement in paragraph 21, but that requirement is more important than that in paragraph 20 and would be done prior to obtaining the acknowledgement in paragraph 20 (a). For these reasons, we believe that the requirement in paragraph 21 ought to be placed prior to that in paragraph 20.

We agree with the requirement in paragraph 20 (a), but not with the wording used in paragraph 20 (b) because the wording is not aligned with the definition and application material of the term “findings” in paragraphs 13 (f) and A10. We suggest that the wording be changed to the following to align with our proposed definition of “findings” (and our proposed application material in paragraph A10) as noted above in our response to Question 5: “The agreed-upon procedures can be objectively described and lead to findings as defined in paragraph 13 (f).”

We agree with the content of the related application material in paragraphs A20-A29 of the draft to the extent it is adjusted to reflect the wording that we suggest for paragraph 20 (b) and our proposed definition of “objectively described”.

We are not convinced that unless item (e) in paragraph 22 relates to the overall matter upon which the agreed-upon procedures are performed (if this can be described in the circumstances), that it is possible to actually fulfill the requirement in (f) without mentioning for each procedure on what matter the procedure is being performed upon. We therefore suggest that the phrase “and the matter on which each were performed” be inserted at the end of the second sentence. In line with our comment on paragraph 2 in Appendix 2 and to distinguish (e) from (f), we suggest changing “subject matters” to “the overall matters” in (e).

Furthermore, in relation to the last bullet point of paragraph A26, for clarification, it seems to us that the word “only” needs to be inserted in between the words “the” and “intended user”, since, in line with the usage in ISAE 3000 (Revised) the engaging party will always be a – but not necessarily the only – intended user.

09. JICPA

We think they are appropriate. However, there are some omissions in the terms to be agreed listed in paragraph 22; the items below are also discussed and agreed when entering into an engagement, so they should be added to paragraph 22, or included in the application material.

- Responsibilities of the engaging party (to determine the adequacy and appropriateness of the agreed-upon procedures and draw its own conclusion based on the factual findings of procedures performed as reported by the practitioner)
• Responsibilities of the practitioner (to perform the agreed-upon procedures and to report the findings thereof, in order to achieve the purpose for which the engaging party requested performance of the procedures and the purpose for which other intended users will use the factual findings of procedures; herein, we call intended the users of AUP report other than the engaging party as "Other intended users.").

• Responsibilities of other intended users (to judge the adequacy and appropriateness of the agreed-upon procedures, and draw their own conclusion based on the factual findings of the procedures as reported by the practitioner)

• Any restriction on distribution or use of the AUP report and the name of the intended recipients and users if distribution or use of the AUP report is to be restricted (A43)

• The requirement to comply with legal or regulatory provisions regarding independence if the practitioner’s independence is required under relevant laws or regulations

10. MAASB
We are of the view that the requirements and application material regarding engagement acceptance and continuance are appropriate.

11. NBA
The paragraphs regarding engagement acceptance and continuance are appropriate. Nevertheless, more attention should be paid to understanding the expectations and the information needs of the intended users and not only the engaging party. In the ED this is done by the engaging party. In our opinion this should be done by the practitioner. Also more situations can be mentioned when the practitioner should not accept the engagement.

<table>
<thead>
<tr>
<th>Para.</th>
<th>Dutch Standard 4400N, Engagements to Perform Agreed-upon Procedures</th>
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<tr>
<td>28</td>
<td>The practitioner shall not accept the engagement if he assesses that:</td>
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<tr>
<td>a.</td>
<td>The procedures to be performed and the factual findings are not expected to satisfy the objective or the information needs of the intended users;</td>
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<td>b.</td>
<td>The intended users will probably interpret the results of the engagement as a practitioner’s pronouncement regarding the underlying subject matter as a whole;</td>
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<td>c.</td>
<td>The report cannot be restricted to the intended users, unless otherwise prescribed by legal requirements.; or</td>
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<td>d.</td>
<td>The report will be used for another purpose than to which it was prepared.</td>
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12. NBAT
Yes: The requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400 are appropriate

13. BDO
Yes, we concur with the requirements specific to accepting or continuing AUP engagements in paragraphs 20 and 21.
The examples provided in paragraphs A22 – A24 regarding acceptable and unacceptable terminology are helpful to practitioners because they are specific.

The guidance in paragraph A25 is also very helpful to practitioners in applying paragraph 20(b) because it provides specific actions that can be taken to rectify a situation where procedures are specified in law or regulation but they are unclear or not objectively worded.

Similarly, the guidance in paragraph A26 provides practical actions to help the practitioner determine if the procedures are appropriate for the purpose of the AUP engagement and thus will meet the needs of the engaging party.

Regarding the requirement in paragraph 22(c) to include in the engagement letter the intended users of the agreed-upon procedures report as identified by the engaging party, we do not believe this needs to be a requirement, particularly when there are intended users who are different than the engaging party. In certain legal environments, it may be problematic for the engagement letter to identify third parties who are the intended users of the report. Even if the engaging party will send the report to 3rd party intended users, we do not believe this needs to be documented in the engagement letter in every case. We would agree with the application guidance suggesting that the practitioner may want to include 3rd party intended users identified by the engaging party in the engagement letter, particularly if such 3rd party intended users will be addressees in the report.

We note that the sample engagement letter in Appendix 1 does not include any sample wording with respect to listing the 3rd party intended users, presumably because the only intended user is the engaging party in that situation. We agree with leaving such wording out of the sample engagement letter if listing the 3rd party intended users is only application guidance rather than a requirement.

15. CHI

We consider that the requirements and application material regarding engagement acceptance and continuance are appropriate.

16. DTTL

DTTL believes the requirements regarding engagement acceptance and continuance, as set out in paragraphs 20-21, should be expanded to include additional requirements similar to those set forth in ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000). These are also relevant when accepting or continuing an AUP engagement.

Specifically, DTTL recommends adding a requirement that the engagement partner shall be satisfied that appropriate procedures regarding acceptance and continuance have been followed by the firm and that the conclusions reached are appropriate. DTTL also believes that paragraph 20 should be expanded to include conditions relating to ethical requirements and competence and capabilities of those persons performing the engagement. Further, we believe that conditions can change during the course of an engagement; accordingly, we recommend adding a requirement that addresses the engagement partner's responsibility if they obtain information that would have caused the firm to decline the engagement had that information been available earlier. Furthermore, as engagement continuance was not addressed in paragraphs 20-21, DTTL recommends adding the concept that the requirements set out in paragraphs 20-21 also apply during engagement continuance.

DTTL also believes that the requirement in paragraph 21 should be modified to state that the practitioner should not accept or continue the engagement if the practitioner is aware of any facts or circumstances
suggesting that the procedures are inappropriate for the AUP engagement and not just for the purpose of the AUP engagement. As the application material paragraphs referenced in paragraph 21 does not include all the relevant paragraphs from the application material, we recommend modifying the reference.

DTTL recommends adding the following requirements and making the following revisions to paragraphs 20-21 as noted below:

**xx. The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and agreed-upon procedures engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.**

20. Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present: (Ref: Para. A20–A29)

(a) The practitioner has no reason to believe that relevant ethical requirements, including independence if required by relevant ethical requirements or for other reasons, will not be satisfied.

(b) The practitioner is satisfied that those individuals who are to perform the engagement collectively have the appropriate competence and capabilities.

(c) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement (as determined by the engaging party); …

21. Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement (as determined by the engaging party). The practitioner shall not accept or continue the engagement if the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A26A20-A29)

**xx. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.**

In the application material, DTTL believes that paragraph A28 should be expanded to clearly articulate that the practitioner may consider the purpose of the engagement based on their understanding and to clarify that there is no expectation that the practitioner would be required to perform extensive procedures to address the requirement in paragraph 21, as shown below.

**A28. As set out in paragraph 21, if the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the agreed-upon procedures engagement, the practitioner is required not to accept or continue the engagement, in addition to determining that the procedures can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations, the practitioner may consider the purpose of the engagement. Based on the practitioner’s understanding of the purpose of the engagement, the practitioner may consider whether the circumstances are such that the procedures are inappropriate or are not consistent with the purpose of the agreed-upon procedures engagement (as determined**
Facts or circumstances suggesting that the procedures may be inappropriate for the purpose of the agreed-upon procedures engagement may include, for example, procedures on subject matters that are unreliable or procedures that deal with existence of inventory when the purpose of the engagement is concerned with the completeness of inventory.

DTTL agrees with the remaining application material set out in paragraphs A20-A29 and believes the additional guidance in paragraph A26 on actions that the practitioner may take to be satisfied that the engagement acceptance and continuance conditions are met is helpful, as well as the guidance and examples that address inappropriate terminology.

17. EYG

Yes, the requirements and application material that address engagement and acceptance are appropriate. However, we suggest a few enhancements. Paragraph 20(b) and 21 involve important judgments by the practitioner. As we suggest in our response to Q2, we believe paragraph A16 should be relocated to support the requirement in 20(b). Further, we believe that paragraph 20(b) should refer to “expected procedures,” which is consistent with the reference to procedures in paragraph 20(a).

In regard to paragraph 21, we believe, at a minimum, a reference to paragraph A28 should be added to this requirement and consideration should be given to expanding this guidance in light of the expansion of the scope of the standard to non-financial subject matters. In particular, we do not believe A28 adequately emphasizes the importance of the auditor’s consideration of the appropriateness of the subject matter independent of the appropriateness of the procedures to be applied to the subject matter. When the subject matter of AUP engagement is non-financial, we believe an additional required pre-condition in paragraph 20 may be warranted that the subject matter is appropriate, which could be further supported by application material adapted from paragraphs A40-A45 of ISAE 3000 (Revised). Regardless, it would be useful for the application material to explain that the judgment regarding the appropriateness of the procedures involves determining that the procedures will not result in a report that may convey misleading information or be misunderstood by users.

As the IAASB finalizes ED-ISRS 4400, we also encourage the IAASB to consider the guidance that is being developed in regard to Extended External Reporting and the possible applicability to AUP engagements, including to assist in enhancing the application material to paragraph A21. Although we understand that this guidance is being developed to support assurance engagements in accordance with ISAE 3000 (Revised), practitioners are facing new demands to perform engagements on emerging subject matters, which are being driven by emerging and evolving needs of users. In dealing with the demands, there are circumstances when an AUP engagement may be sought on an emerging subject matter where the engaging party’s understanding of the subject matter and of the intended users’ needs may still be developing. In these circumstances, certain of the suggested actions in A26, as well as more involved efforts by the practitioner to understand the subject matter and the purpose of the engagement, may be of greater importance to the practitioner’s determination of whether the pre-conditions of the AUP engagement have been met.

18. GTIL

We are of the view that the requirements included in paragraphs 20 and 21 are directionally appropriate. However, given the apparent duplication between the two paragraphs we question whether one paragraph that streamlines the requirements would be more appropriate. Further, we recommend that consideration be given to the structure of these paragraphs, irrespective of whether there is ultimately one or two paragraphs in this section. Currently paragraph 20 requires that the practitioner determine that certain conditions are met before accepting an AUP engagement. Paragraph 21 then requires the practitioner to
obtain an understanding of the purpose of the engagement. It would seem logical to understand the purpose of the engagement before considering the conditions that need to be met to accept the engagement.

Paragraph A30 describes the iterative process that may exist for determining the procedures to perform in an AUP engagement. We believe this is an accurate description of practice. However, the requirement in paragraph 23 for the practitioner to agree amended terms of engagement that reflect the modified procedures seems very rigid. We are concerned this rigidity will result in initial terms of the engagement that include procedures that are a mere ‘placeholder’ and not reflective of the procedures that will be performed. We recommend the IAASB explore ways to reflect better the iterative process that often exist in practice. For example, the IAASB could:

- Modify the requirement in paragraph 22 to require the acknowledgement that the engaging party recognize or **will recognize** that the procedures are appropriate for the purpose of the engagement before the date of the AUP report. We think this would retain the fundamental principle of the engaging party acknowledging the appropriateness of procedures, while allowing flexibility as to the timing of such acknowledgement.
- Modify paragraph 23 and A30 to reflect the new flexibility allowed by paragraph 22.
- Modify paragraph 32 to require that the AUP report not be dated earlier than the date on which the practitioner has obtained acknowledgement by the engaging party that the procedures are appropriate for their purpose of the engagement.

We also recommend that consideration is given to providing context to the term “misleading.” in paragraph 20(b) as follows:

“The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading **with respect to the objective of the engagement**, and not subject to varying interpretations.”

The application material associated with paragraphs 20 and 21 largely focus on what procedures would be appropriate when performing an AUP engagement. It would be helpful if the application material could also provide more guidance on what the practitioner should avoid when agreeing the procedures to be performed with the engaging party.

In respect of the related application material in paragraph A28, we question whether “procedures that deal with existence of inventory when the purpose of the engagement is concerned with the completeness of inventory” is an appropriate example of facts or circumstances suggesting that the procedures may be inappropriate. Our experience is that engaging parties and intended users rarely express their information needs in terms of assertions. Therefore, this example will not resonate with many. We think that a better example would be that intended users are specifying that an assurance engagement is required to be performed, but the engaging party is requesting the practitioner to perform an AUP engagement.

19. KS

Yes, we agree they are appropriate. The examples of appropriate and inappropriate terminology are helpful, although as noted earlier in this letter they will not address the expectation gaps that arise on AUP engagements in isolation.

We would also suggest that the term ‘verify’ is included as an example of inappropriate terminology. This is frequently used by government and regulatory bodies along with the term ‘certify’ (which has been included in the examples). The inclusion of the term ‘verify’ would be helpful when challenging requested report wording and we are concerned that its omission from the examples could be read by such bodies as implying that it constitutes acceptable terminology.
20. KPMG

We welcome the inclusion of these paragraphs and related application material, as we consider it appropriate to require these pre-conditions to be present before the practitioner may accept an AUP engagement.

As we describe in our response to Question 2, we suggest that paragraph 21, which requires the practitioner to obtain an understanding of the purpose of the agreed-upon procedures engagement before accepting it, be expanded to require the practitioner to assess that there is a rational purpose to the engagement, before engagement acceptance. Such consideration may include whether an agreed-upon procedures engagement, as opposed to another engagement type, e.g. an assurance engagement or an advisory engagement, is the most appropriate deliverable.

We also suggest that the requirement, at 20(b), that the agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations, include clearer cross-reference to the requirements and guidance regarding the application of professional judgement in determining whether procedures are capable of being performed and described objectively, as well as to include guidance that professional judgement is required in determining the level of granularity appropriate/necessary in the description of procedures, both in agreeing the scope of the procedures and in the report itself. For example, in some cases it will be appropriate for every test to be described in detail and in other cases it may be appropriate to group tests together under summary descriptions. As noted elsewhere in the ED, the key concept is that another practitioner would be able to replicate the test and obtain the same findings from the description. Accordingly, we are supportive that the ED allows practitioners to apply a degree of professional judgement in describing the procedures and findings where the nature and scope of the procedures are well understood by users.

We believe the application material at A22 – 24 is particularly helpful here in providing details of appropriate terminology to use in describing the procedures.

We note that the guidance at A18 refers to whether the engagement partner has cause to doubt management’s integrity to a degree that is likely to affect proper performance of the engagement, in which case it may not be appropriate to accept it. Whilst we are supportive of the inclusion of the considerations in A18, we note that, given the nature of an AUP engagement, concerns over the integrity of management are less likely to affect the “proper performance” so much as that they may affect the practitioner’s considerations as to whether the engagement has a rational purpose, or whether, based on the practitioner’s understanding of the purpose of the engagement, the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon-procedures engagement, in which case the practitioner is not to accept the engagement. As such, it may be helpful for the ED to clarify that such considerations are made as part of engagement acceptance, and involve the exercise of professional judgement. Furthermore, we suggest that the application material at A18 include a cross-reference to ethical considerations such as not being associated with misleading information.

We recognise that paragraph 21 requires the practitioner to understand the purpose of the AUP engagement and if, based on that understanding, the practitioner is aware of any facts or circumstances suggesting the procedures the practitioner is being asked to perform are inappropriate for the purpose of the engagement, the practitioner is not to accept the engagement. We highlight that consideration as to whether there is a rational purpose to the engagement would involve the practitioner considering whether the actual purpose of the engagement is appropriate, in addition to merely understanding the purpose. As drafted, the requirement may also be interpreted to suggest that the practitioner has a more active
responsibility to identify matters such as NOCLAR or fraud in conducting the procedures, which we do not believe to be the case. Please see also our response to Question 2.

We note that there are various instances of use of the terminology “the engaging party acknowledges the appropriateness of the procedures”, e.g. at paragraph 4, 20(a), 22(b), and 30(h)(ii). Furthermore, there are references to the practitioner’s responsibility to “agree the procedures to be performed”, e.g. at paragraph 12, 13(a) and 30(h)(ii). We suggest that the IAASB amend such references to make clear that the engaging party is ultimately the party that is responsible for determining the procedures to be performed, and the practitioner is responsible for considering whether, based on their understanding of the purpose of the engagement, they are aware of any facts or circumstances suggesting that the procedures they are being asked to perform are inappropriate, as described at paragraph 21.

21. PKF

We acknowledge that it is a necessary precondition of the engagement that the procedures can be described objectively, however where the agreed-upon procedures are performed as part of the engagement, it may result in potentially unnecessary paperwork. This would be the case where the engagement team performed the client and engagement acceptance procedures for a new audit client and during the course of the audit, the engagement team is requested to also perform agreed-upon procedures. The way the revised standard is written means that the team will have to perform a separate client/engagement acceptance procedure, which can be quite onerous in certain jurisdictions.

Certain regulatory bodies require client and engagement acceptance or continuance procedures to be reperformable in terms of ISA 230 and the requirements contained in paragraphs 20–21 may result in potentially unnecessary additional work.

It is recommended that where assurance work is also performed, additional guidance be provided as to when this standard’s engagement acceptance or continuance should be performed, and the extent of documentation required.

22. PwC

Yes, subject to our comments that follow. As noted in our response to question 2, it is important that the engaging party accepts responsibility for acknowledging the appropriateness of the planned procedures. We also welcome the additional guidance on terminology intended to drive clear and specific procedures and findings that are not open to varying interpretation. As explained in our response to question 1, this is one of the significant public interest challenges with AUP engagements performed today.

Recognizing the expanded scope of the proposed standard to include non-financial subject-matters, we suggest that an additional acceptance condition may be appropriate that addresses the practitioner’s competence to perform the procedures. Specifically, such a condition could address any need for a practitioner’s expert. We believe the IAASB can draw upon language similar to that in proposed ISA 220 (Revised) i.e., that the practitioner, and any practitioner’s experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the procedures.

Also, as explained in our cover letter, we recommend that the engagement acceptance requirements also incorporate consideration of whether the engagement has a rational purpose as well as the rationale for the practitioner’s requested involvement. The information on which procedures are to be performed, and the procedures themselves, should serve the needs of the identified intended users. Such consideration would also extend to the completeness of the intended procedures in addressing the interests/needs of the intended users.
In addition, we believe there should be a clear rationale for the practitioner’s involvement, and hence association, with the engagement. There is a risk that the practitioner may be asked to perform procedures that are not related to the practitioner’s expertise and, although capable of performing them, the practitioner’s involvement may be inadvertently interpreted as a form of advocacy or endorsement without the practitioner fully appreciating the possible consequences. That would not be, in our view, in the public interest. We recommend that paragraph 21 be amended as follows, with additional application material that explains the matters set out herein (and which could also draw upon relevant content from paragraph A56 of ISAE 3000 (Revised), for example, associating the practitioner's name with the underlying subject-matter in an inappropriate manner):

“Before accepting an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept the engagement if the practitioner is aware of any facts or circumstances suggesting that the engagement does not have a rational purpose or that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement.”

We also believe that, as part of the engagement acceptance preconditions, a relevant consideration for the practitioner is whether the non-financial information is measurable, thereby enabling procedures and findings that are capable of being objectively described. We suggest this be included as additional application material.

23. RSM

We consider that these requirements and application material regarding engagement acceptance and continuance are appropriate.

Further consideration could be given to clarifying the position on “material”. It may be that the engaging party and the practitioner want to agree a threshold below which a finding does not need to be reported. It would therefore be useful to include more explicit guidance in this regard.

24. AGC

Yes, the requirements and application material regarding engagement acceptance and continuance are appropriate.

25. GAO

We believe that the requirement in paragraph 20(b) should discuss the procedures as “expected” and the related findings as “potential related findings.” We believe that it would be useful to add a paragraph to the application and other explanatory material that addresses the potential scenario where a practitioner may be required to perform the AUP engagement because of a law or regulation, but the practitioner may not be able to meet the requirements in paragraphs 20 and 21.

26. NAOT

The requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400 are appropriate.

27. PAS

No, we have two concerns with the requirements and application material regarding engagement acceptance and continuance.
1) Paragraph 20 b): The wording is unclear regarding to whom the terms used should be clear, not misleading and not subject to varying interpretations. The clarity of terms used may depend on the knowledge of the engagement report users or the practitioner. We agree this is addressed by A22, but it is our opinion that the standard should provide clearer guidance on this point, such as including definitions for the terms used.

2) Paragraph 20: We feel this should also incorporate an assessment of the practitioner’s independence. In cases where the practitioner is required to be independent, the practitioner should not accept an engagement until completing an assessment of their independence.

28. ACCA-CAANZ

We agree with the current requirements but consider they are deficient in not requiring the practitioner to:

a. Assess and document their competence and capability to conduct the engagement, particularly where non-financial information is involved. This is particularly necessary if the broader term of “practitioner” rather than “assurance practitioner” is to be used in the application clause.

b. Identify the need for any experts and assess the skills and competence of those experts before accepting the engagement (see question 7 below).

c. Consider if there are likely to be any issues regarding access to the information and resources needed to perform the engagement (see question 11 below).

29. AE

The requirements and application material regarding engagement acceptance and continuance very much help to reflect that there may be cases where agreed-upon-procedure engagements are not appropriate. Following these requirements going forward, the practitioner will make sure that they understand what is asked from them and if the engagement makes sense.

30. AICPA

Response: No. As stated previously, we believe that ED-4400 creates a situation in which a common practice scenario becomes impractical or cumbersome. ED-4400 presupposes that the procedures to be performed are known at the beginning of the engagement. In an engagement in which the procedures are developed or revised as the engagement progresses, the practitioner would be required to amend the engagement letter. If the procedures are revised multiple times, the practitioner may be required to obtain numerous amended engagement letters. For example, while the engaging party may know the intended purpose of the engagement, that party may not know what procedures should be performed to satisfy that purpose at the beginning of the engagement. As part of the engagement, the engaging party may request that the practitioner develop, or assist in developing, the procedures. We believe that such a service would be in the public interest and could be addressed in ED-4400 with a few edits, as follows proposed new language is in **boldface italics**; proposed deleted is in strikethrough):

**Engagement Acceptance and Continuance**

20. Before accepting an agreed-upon procedures engagement, the practitioner shall determine that **the agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.** the following conditions are present: (Ref: Para. A20-A29)

(h) The engaging party acknowledges that the procedures to be performed are appropriate for the purpose of the engagement; and
The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.

21. Before accepting an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept the engagement if the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A26, A29)

Agreeing the Terms of the Engagement

22. The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party. These terms shall include the following:

(a) The nature of the agreed-upon procedures engagement, including a statement that the procedures to be performed do will not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does will not express an opinion or conclusion;

(b) Acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement;

(c) The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party;

(d) **Acknowledgement that the engaging party agrees to provide the practitioner, prior to the completion of the engagement, with a written acknowledgment regarding the appropriateness of the procedures for the intended purpose of the engagement.**

(e) Acknowledgment of the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures and whether the practitioner is required to be independent;

(f) Identification of the subject matters on which the agreed-upon procedures will be performed;

(g) The nature, timing and extent of the procedures to be performed;

(h) Reference to the expected form and content of the agreed-upon procedures report;

(i) Identification of the addressee of the agreed-upon procedures report.

23. Where the agreed-upon procedures are modified over the course of the engagement, the practitioner shall agree the amended terms of engagement with the engaging party to reflect the modified procedures. (Ref: Para. A30)

24. The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. (Ref: Para. A31)

As stated in our response to Question 1, if the procedures are known at the outset of the engagement, the written acknowledgment from the engaging party regarding the appropriateness of the procedures for the intended purpose of the engagement may be included in the engagement letter. However, if the procedures are developed or revised over the course of the engagement, the written acknowledgment may be included in an amended engagement letter, an addendum to the engagement letter, or other suitable form of written communication, as appropriate.
31. CAI

Yes, we agreed that the requirements regarding engagement acceptance and continuance in paragraphs 20-21 are sufficiently clear.

However, in respect of paragraph A22 of the application material, it provides examples of acceptable terminology for agreed upon procedures, one of which is “confirm”.

We acknowledge that paragraph A22 does note that such term(s) should only be used in an appropriate context. The use of this term in particular, even in a specific context often implies a level of assurance and can be open to misinterpretation, which is not the objective of the AUP standard. To eliminate any possible ambiguity, we would encourage that further guidance is added here to sufficiently clarify the interpretation of “context” for the practitioner, perhaps adding an example where use of “confirm” in a procedure is acceptable.

32. CPAA

The requirements and application material are appropriate, however they could be further enhanced by including requirements that the practitioner does not accept the engagement as an AUP engagement if:

- The engagement does not have a rational purpose or is unlikely to meet the needs of intended users.
- It is necessary for the practitioner to determine the sufficiency of the procedures to be performed, perform a risk assessment, evaluate the findings or reach a conclusion, as this indicates that an assurance engagement is appropriate.

33. EFAA

We agree overall. Nevertheless, we believe it to be important that the practitioner is satisfied that the expectations of the engaging party can be met by performing the expected procedures and the information supplied.

34. FAPT

Answer: Identifying clearly requirements regarding engagement acceptance and continuance is important. All relevant parties should understand and agree with the audit procedures which should be designed appropriately according to the purpose of report to be used.

And the explanations, in paragraph A25-A26, are provided useful guidance to consider the engagement acceptance. However, we concern whether the engagement letter should be revised when practitioner perform additional procedure apart from agreed procedures when using “Professional Judgment” as mention in question no. 2.

35. FAR

Yes, they are appropriate. Regarding the use of misleading or unclear terminology FAR believes that it generally should be prohibited in an AUP report, unless specific wordings are required by law or regulation. By prohibiting the use of misleading or unclear terminology generally, FAR means that the standard should not forbid specific terminology, but instead discuss what terminology may be misleading or unclear and give examples, as is suggested in A22-A23. The revised ISRS 4400 should leave it to the practitioner to determine which terminology is misleading or unclear. A list of specific prohibited terminology may be useful in the English original of the standard but may be difficult to translate to other languages, FAR therefore does not approve of such a list. In cases when the practitioner, due to law and regulation, is required to use unclear or misleading terminology in the AUP report the practitioner should explain the meaning of the used
terminology. Clear guidance on wording in the AUP report would make it easier for practitioners to write their reports but also to respond to questions from clients regarding used terminology or demands from third parties to use a specific format.

36. FSR

The requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, are appropriate when assessing engagement acceptance and continuance related to an AUP engagement.

37. IAAA

Yes, the requirements and the application material regarding the acceptance and continuance of the commitment, contained in paragraphs 20-21 and A20-A29 of the ED-4400, are appropriate; however, in accordance with our opinion on the prior requirement of independence, to consider that requirement, we understand that it must be included as requirements for acceptance of commitments and continuity.

38. IBRACON

Yes.

39. IBR-IRE

Yes, these requirements are appropriate. However, it would be more logical that paragraph 21 precedes paragraph 20.

40. ICAEW

Yes, we believe they are appropriate, though we believe that more guidance, including examples, could be provided here around defining procedures, as highlighted below.

1. It is helpful to have guidance in the standard that provides practitioners with the ammunition to rebut some of the procedures or report wording being requested by third parties.

2. The illustrative engagement letter and reports in the Appendices of the ED provide helpful illustrations of procedures that have been clearly defined. The application material in A22-A26 could, however, be made more specific about the importance of clearly defining the procedures to be performed, for example, by including an illustration of what would be unacceptable, particularly in relation to A22. Taking the action ‘compare’ as an example, a procedure that requires ‘a comparison of an invoice to a delivery note to see if it is properly prepared’ is unlikely to be sufficiently defined without, for instance, confirming the fields to be checked and understanding what is important to the client.

3. As already highlighted, changes to the standard alone will not address the gap in expectation evidenced by requests from government and regulatory bodies for reports that do not meet the conditions in ED 4400. This requires a greater degree of engagement with these stakeholders and the establishment of an education programme covering the nature and scope of AUP engagements.

41. ICAN

Yes.

42. ICAP

The requirements in paragraphs 20-21 are appropriate for engagement acceptance. However, the application material specifically paragraph A26 suggests that the practitioner needs to perform procedures to satisfy themselves that the AUP engagement procedures are appropriate for the purpose. We believe
that this is not necessary as primarily it is the engaging party’s responsibility to acknowledge the appropriateness of the planned procedures (as mentioned in paragraph 22(b) and 30 (h) (ii) of the proposed standard).

43. ICAS

The requirements and application material regarding engagement acceptance and continuance are very helpful in demonstrating that there may be cases where AUP engagements are not appropriate. The proposed amendments should ensure that the practitioner understands what is expected from them and whether the engagement makes sense.

44. ICPAU

We agree with the requirements and application material in paragraphs 20-21 and A20-29 of ED-4400 subject to our comments under the section of ‘other comments.’

45. SMPC

We agree that the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, are appropriate. However, there are certain further matters that, when relevant, would need to be considered during engagement acceptance and continuance (e.g., related to a practitioner’s expert etc.) and thus should also be mentioned in this section.

46. ISCA

Paragraph 20(b) of ED-4400 requires the AUP and related findings to be capable of being described objectively, in terms that are clear, not misleading and not subject to varying interpretations, before the practitioner accepts an AUP engagement. In circumstances where the procedures have been established, for example in laws or regulation, or in a contractual agreement (such as terms of reference), the practitioner should be able to assess if the procedures and accordingly, if the related findings, can be described objectively.

However, we question the practicality of the above requirement in all circumstances. As highlighted in paragraph A30 of ED-4400, the process to agree the terms of engagement and performing the AUP can be iterative, with changes to the procedures as the engagement progresses in response to new information coming to light. As a result, it is possible that the practitioner may then determine that related findings of a modified procedure requested by the engaging party is not capable of being described objectively, only subsequent to accepting the AUP engagement. The IAASB should consider addressing such circumstances in the revised standard.

47. KICPA

We agree with the requirements and application material regarding “Engagement Acceptance and Continuance.”

48. MICPA

Yes, the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, are appropriate.

49. NYSS

We agree with the requirements and application material regarding engagement acceptance.

Please see below for further consideration:
Paragraph A22 – Consider the inclusion of “Obtain,” e.g. obtain from [specified personnel] the executed agreement of sale. This could be relevant where the engaging party may require documents to be obtained from individuals with specific designations or authorizations.

Paragraph A23 indicates that “material” may constitute unclear or misleading terminology. We agree with this statement, however, footnote19 of the November 2016 Discussion Paper states that “…quantitative thresholds for determining factual deviations may be set.” We do not see where this is addressed in the ED and would propose that the standard clarify the following:

- The concept of materiality does not apply to findings to be reported in an AUP engagement unless the definition of materiality is agreed to by the parties.
- Include an example of language that describes a materiality limit, e.g. “For purposes of performing these AUPs, no exceptions were reported for differences of CUR 1000 or less.”

Paragraph A23 – Consider revising bullet #5 to the following: “Imprecise descriptions of procedures such as “discuss,” “evaluate,” “test,” “interpret,” “analyze,” “examine,” or “verify” unless they have been defined to indicate the nature, timing and extent of the procedures associated with these actions.”

50. SAICA

We agree that the requirements and application material regarding engagement acceptance and continuance, as set out in paragraph 20 – 21 and A20 – A29 of ED-4400 are appropriate.

We do however suggest that paragraph A22 could be clarified further, particularly in relation to confirmation or procedures to “confirm”. The term “confirm” in the application material (paragraph A20) could be unclear or misleading depending on the context in which it is used and might imply assurance.

Some of the responses included from the survey respondents were:

a. It was noted that no reference is made to applying professional judgement with reference to continuance considerations (referring to paragraph 18 as well as paragraph 25), specifically taking into account the inclusion of considerations around recurring AUP engagements.

b. Although paragraph A30 states that agreeing to the terms of engagement and performing the agreed-upon procedures is an iterative process, impracticalities were noted. The question raised is how practical it is for the engaging party to acknowledge the appropriateness of the expected procedures as part of the practitioner’s assessment on whether to accept the engagement or not, if the details of the expected procedures and the written acknowledgement thereof only happens as part of the “terms of the engagement”.

c. It is suggested that paragraph 25 clearly states that after the practitioner has evaluated to continue with the AUP engagement, the practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement.

51. WPK

We basically agree with the requirements in ED-ISRS 4400.20 (b) and .21. We suggest to place the requirement in .21 prior to that in .20 to rank the requirements according to their importance.

While we seem to understand the intention of ED-ISRS 4400.20(a) ‘The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement’ from a practitioners perspective, we question whether it can be expected from an average
small or medium-sized engaging party to have an understanding of AUP that is sufficient to meet this requirement.

52. TAS

Yes, the requirements are appropriate. The practitioner should be able to evaluate the procedures to be performed in the context of the engagement and the objectives. This should help the practitioner to also perform the task according to the agreed procedures and objective for which the procedures are being performed.