Responses to ED–4400
Comments to Q7 ‘Practitioner’s Expert’
NVivo Report 7A
(FOR REFERENCE)

01. IRBA

- Overall, we agree with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400. We support the IAASB’s view that a practitioner’s expert can assist the practitioner by using the expert’s competence and capabilities in performing the AUP.

- However, we suggest that the IAASB should clarify what is meant by “to be involved” in the work of the expert in paragraph 28(b) of the requirements as we are of the view that this might create confusion or misinterpretation on what an expected level of involvement of the practitioner is in an AUP engagement. In addition, paragraph 28(b) could be rephrased to emphasise the responsibility of the practitioner for the AUP engagement.

- Further, we suggest that the IAASB considers including a more useful or relevant example in the AUP report (illustration 2 in Appendix 2), such as one linked to the examples mentioned in paragraph A36 of the application material. It is unclear why the procedure, as described in illustration 2 of Appendix 2, would require an external expert.

02. NASBA

We believe the evaluation criterion described in paragraph 28 should be expanded for considerations when a practitioner utilizes an internal versus an external expert. For example, the situation in which the practitioner is not independent and utilizes an internal expert could be problematic in complying with certain ethical requirements such as objectivity.

03. WB

We note that the language used in the ED is based on ISA 620, Using the Work of an Auditor’s Expert. In our view, however, the notion of “practitioner’s experts, which covers both internal (within the firm and within the same network) and external is potentially confusing. In some jurisdictions, the notion of network firm is not clearly established in professional standards. In addition, it seems the use of an expert as part of an AUP is only an issue when the expert is “external”. The IAASB should determine whether the benefits of providing greater clarity outweighs those of maintaining consistency between the auditing and AUP standards.

In addition, the application material (possibly Para. 36) could clarify that the practitioner should assess whether it possess competencies necessary to evaluate the expert’s work, and that, if it is unable to conclude affirmatively, it should not accept the engagement.

1 Exposure Draft International Standard on Related Services 4400, Agreed-Upon Procedures Engagements
04. AuAASB

The AUASB agrees with the proposed requirements and application material on the use of a practitioner’s expert and references to the use of the expert in an AUP report as this is the current practice in Australia.

The AUASB does have some additional recommendations in this regard:

- The wording of paragraph 28 as may be seen as an outsourcing arrangement and it is not clear that the expert’s role is to assist the practitioner. Accordingly, we suggest the following revised wording for paragraph 28: “When the practitioner involves a practitioner’s expert to assist in performing the agreed-upon procedures, the practitioner shall:”

- Use of an expert suggests that there may need to be use of professional judgement above and beyond what would usually be contemplated in an AUP engagement. Accordingly, the principle that the procedures to be performed and related findings should not require judgement and should be described objectively should be reinforced when using an expert, and it may be beneficial to incorporate this message in the application material.

- It would be helpful to include guidance that an expert’s involvement should not be so extensive that they are essentially performing the majority of the procedures.

- The illustrative example in Appendix 2 could include a more useful example of using the work of an expert. The AUASB is unsure as to why the example described in the illustration would require an external expert. The example from A35, would be more relevant.

05. CAASB

We agree, in part, with the requirements and application material on the use of a practitioner’s expert. In our view, some of the procedures relating to the use of an expert may be undertaken at the engagement acceptance stage. For example, at the engagement acceptance stage, the practitioner may determine whether he or she will be able to be involved in the work of an expert to an extent that is sufficient to take responsibility for the findings. To better reflect the timing of such procedures, we suggest including an application paragraph similar to that in paragraph A71 of ISAE 3000: “When the work of a practitioner’s expert is to be used, it may be appropriate to perform some of the procedures required by [para. 28 (the requirement on use of expert)] at the engagement acceptance or continuance stage.”

06. CNCC-CSOEC

We agree with the proposed requirements and application material and we believe that references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400 are appropriate.

However we have the following comment. Recognising 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.
I. Using the Work of a Practitioner's Expert

In principle, we support the enhancement on the use of a practitioner's expert in ED-4400. However, circumstances involving the use of a practitioner's expert may connote the application of judgement on the subject matter information, rather than resulting in objectively verifiable finding. Further guidance should be developed to state that whenever a need to engage a practitioner's expert is foreseen, it is important for the practitioner to re-assess the suitability of an AUP engagement in reporting the subject matter information.

In our view, some of the examples in paragraph A35 may not be appropriate in the context of an AUP engagement. For example, engaging different lawyers on the legal aspects of a contract may result in different opinions on the issue concerned and result in subjective conclusions. We would recommend that examples in A35 be clarified on the appropriate circumstances involving an expert in an AUP engagement.

With reference to paragraph 28(b) of ED-4400, we believe further application guidance should be developed on practitioner's involvement in the work of expert, for example, the practitioner may consider requesting a written report from the expert on work performed or reviewing the work papers of the expert. We understand that IAASB is currently undertaking a project to revise ISQC 1 and the relevant paragraphs in ED-4400 relating to quality control, which may include those relating to the use of practitioner's expert in an AUP engagement, are subject to change.

II. The AUP Report

It is clear from paragraphs 19(a) and A36 of ED-4400 that the engagement partner shall take responsibility for the overall quality of an AUP engagement, including work performed by a practitioner's expert.

We believe the guidance in paragraph 31 is more appropriate to be placed after paragraph 28. The guidance in paragraph 31 is not related to the form and content of the AUP report and it does not contain any requirement for a statement. If it is the intention of IAASB to include a statement in the AUP report where the work of an expert has been referred to in the report (as set out in Illustration 2 of Appendix 2), we would suggest the IAASB to explicitly state so in paragraph 30.

08. IDW

We agree with some parts of the requirements in paragraph 28 and with some parts of the related application material in paragraphs A35-A36 in the draft but disagree with other parts. We focus here on those parts with which we disagree.

We believe there is a fundamental difference between using the work of a practitioner’s expert as a basis for the practitioner’s performance of the agreed-upon procedures (as described in the first sentence of paragraph A35) and having the practitioner’s expert perform the agreed-upon procedures on behalf of the practitioner (as described in the second sentence of paragraph A35). The requirement in paragraph 28 (a) applies to both cases, but the requirements in paragraph 28 (b) to (d) actually relate only to cases in which the practitioner’s expert performs procedures on behalf of the practitioner and reports the findings, which are then included in the practitioner’s report. Since in the former case, no procedures other than providing advice to the practitioner are performed, no other requirements are needed for this case.
Using the phrase “work of the expert” in paragraphs 28 (b) to (d) leaves the impression that the expert can perform work other than agreed-upon procedures, which would be beyond the scope of an agreed-upon procedures engagement. Hence the wording should be changed from “using the work of the expert” to “having the expert perform procedures”. In addition, the fact that an expert performs the procedures needs to be agreed with the engaging party; paragraph 28 should clarify that the procedures performed by the expert need to be agreed-upon with the engaging party (i.e. they would form part of the “agreed-upon procedures”) and the application material should also note this. Consequently, there is some merit to considering the need to have an expert perform procedures at the engagement acceptance. There may also need to be a requirement and some guidance on how the practitioner instructs the expert as part of engagement planning.

Consequently, the words “work of the expert” in (b), “work performed by the expert” and “work agreed with the expert” in (c), as well as “results of the work performed” in (d) of paragraph 28 need to be replaced with “procedures performed by the expert”, “procedures agreed with the expert” and “results of the procedures performed”, respectively. The same applies to the phrase “work performed by practitioner’s expert” in paragraph A36, which needs to be replaced with “procedures performed by a practitioner’s expert”.

In the same vein, to prevent the potential misunderstanding about what experts can do for the practitioner (i.e., “procedures” rather than the ambiguous “work”), the latter half of the second sentence of paragraph A35 should be rephrased as follows:

“…may involve a chemist performing procedures to determine the toxin levels in a sample of grains, an engineer or lawyer inspecting a contract in relation to engineering or legal matters in that contract, or a procurement officer inspecting documents containing details about acquisitions to determine whether those acquisitions meet procurement guidelines”.

09. JICPA

We agree.

10. MAASB

Given that the ISRS applies to the performance of agreed-upon procedures engagements on financial and non-financial subject matters, the involvement of practitioner’s expert is inevitable. Thus, we agree, in principle, with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400.

Paragraph 28(b) requires the practitioner to ensure that “…the practitioner will be able to be involved in the work of the expert to an extent that is sufficient to take responsibility for the findings…” Paragraph 31 further states that “…the wording of the report shall not imply that the practitioner’s responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert.” The above paragraphs explain the intention of the IAASB to ensure that the practitioner’s responsibility for performing the procedures required and reporting the findings should not be reduced by the involvement of an expert. As such, it would be helpful for the IAASB to expand the examples given on application material A35 for clarity and we also suggest that Information Technology (IT) related examples be provided especially where an IT expert is appointed to perform an AUP engagement in supporting the overall AUP work procedures performed by the practitioner.

We would also like to emphasize that there may be circumstances where it may not be practical for the practitioner to take responsibility for the work performed by a practitioner’s expert, for instance, where the practitioner expert’s procedures form substantially the majority of procedures to be performed in the AUP
The determination on the extent of the practitioner’s involvement in an AUP is crucial at the engagement acceptance stage, and practitioners would also have to be alerted to the potential for post-acceptance changes in the AUP to influence this determination as the AUP progresses. The practitioner may only use the work of an expert to support the practitioner’s own performance of the AUP. Therefore, if the practitioner does not have sufficient experience and expertise, they should not be undertaking the engagement and a separate engagement should be undertaken between the engaging party and the expert. For example, it would be more appropriate for the engaging party to appoint a chemist determining the toxin levels in a sample of grains separately rather than engaging a practitioner to appoint an expert to perform the work.

11. NBA

We agree with the paragraphs on the use of a practitioner’s expert. However, we think that this should be broadened to include a management’s expert which may also be involved. Furthermore, we would prefer not to refer to the expert in the practitioner’s report, unless this is required by law or regulation. Although it is stated that the responsibility of the practitioner is not diminished, this may seem the case if reference is made to the expert in the report.

12. NBAT

Yes: we agree with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400

Our further suggestion

We recommend the practitioner to analyze issues related to cost and benefit for using expert in an AUP engagement.

13. BDO

Generally speaking, we agree with the proposed requirements relating to use of a practitioner’s expert and references to the use of the expert in the AUP report.

However, we note the following minor issues that should be clarified:

- The definition of practitioner’s expert in paragraph 13(i) refers to ‘possessing expertise in a field other than assurance’. We believe that this definition should also include accounting (i.e. ‘possessing expertise in a field other than accounting or assurance’).

- The definition of practitioner’s expert in paragraph 13(i) also states: ‘A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm) or a practitioner’s external expert’. However, the definition of ‘Engagement team’ in paragraph 13(e) explicitly excludes the practitioner’s external expert but is silent on the practitioner’s internal expert. That leads us to conclude that a practitioner’s internal expert is always a member of the engagement team. We believe that circumstances may arise where a practitioner’s internal expert may be used on an AUP engagement but they may not be operating as a member of the engagement team. We think this scenario should be allowed under the definition of engagement team (i.e., there may be circumstances where practitioner’s internal experts are also excluded from the engagement team).

- In addition, paragraph 28 does not distinguish between practitioner’s experts on the engagement team versus practitioner’s experts that are not on the engagement team when describing the work that must
be done when using a practitioner’s expert. We believe that some application guidance would be helpful which allows certain requirements in paragraph 28 to be handled through the firm’s quality control processes for practitioner’s experts that are members of the engagement team.

15. CHI
We agree with the proposed requirements and application material.

16. DTTL
DTTL agrees with the proposed requirements and application material regarding the use of a practitioner’s expert; however, we believe that paragraph 28 should be expanded for situations in which the practitioner uses an external expert. Consideration could be given to ISAE 3000 (Revised) paragraph 52(a) and the related application material, which includes an additional requirement that in the case of a practitioner’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to the expert’s objectivity. DTTL’s recommendation is depicted below.

28. If the practitioner uses the work of a practitioner’s expert, the practitioner shall: (Ref: Para. A35–A36)
   (a) Evaluate the expert’s competence, capabilities and objectivity. In the case of a practitioner’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to the expert’s objectivity. (Ref: Para Axx)
   …
   (c) Determine whether the nature, timing and extent of the work performed by the expert is consistent with the work agreed upon with the expert; and

Axx. When evaluating the objectivity of a practitioner’s external expert, it may be relevant to:
- Inquire of the engaging party (or responsible party if different), about any known interests or relationships that the engaging party (or responsible party if different) has with the practitioner’s external expert that may affect that expert’s objectivity.
- Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the practitioner’s expert include:
  - Financial interests.
  - Business and personal relationships.
  - Provision of other services by the expert, including by the organization in the case of an external expert that is an organization.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner’s external expert about any interests or relationships with the engaging party (or responsible party, if different) of which that expert is aware.

17. EYG
We support the addition of requirements to address the use of a practitioner’s expert in an AUP engagement, including in regard to referring to an expert in the AUP report. However, the wording of paragraph 28 as drafted connotes an outsourcing arrangement and it is not clear that the expert’s role is to
assist the practitioner. Accordingly, we suggest the following revised wording for paragraph 28: “When the practitioner involves a practitioner’s expert to assist in performing the agreed-upon procedures, the practitioner shall:”

18. GTIL

We appreciate and understand the intent to make the proposed standard more “future oriented” by recognizing the use of the work of a practitioner’s expert. However, we are not aware of a significant number of AUP engagements that currently require the use of a practitioner’s expert, or would reasonably foresee requiring such use in the future.

Further, we note in paragraph A35, that a procurement officer is considered to meet the definition of a practitioner’s expert. We do not agree that a procurement officer meets this definition and would suggest an actuary performing procedures as an alternative example.

Paragraph 31 requires that where a practitioner’s expert is used and referenced in the AUP report, the wording of the practitioner’s report does not imply that the practitioner’s responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert. The related application material notes that in some jurisdictions, law or regulation may require reference to the practitioner’s expert. We are of the view that additional guidance on other circumstances where the practitioner may want to refer to the practitioner’s expert in the AUP report, or the inclusion of a framework to help the practitioner make that decision, would be helpful.

19. KS

Yes, we agree. At present, in our experience, the use of experts on AUP engagements is rare in practice, but may become more common as the use of such engagements evolves.

20. KPMG

We recognise that the IAASB has attempted to introduce requirements regarding using an expert from auditing/ assurance standards, to improve the understanding of the practitioner’s responsibilities in this area, and possibly to pave the way for more complex AUP engagements, in respect of (multiple) subject matters that may require expertise beyond that which a practitioner would ordinarily possess.

We have some concerns about the applicability of this concept to AUP engagements, as we believe the underlying principles do not translate fully to AUP engagements. Audit and assurance standards acknowledge that an expert (in a matter other than auditing and accounting) may need to be involved in order to assist the auditor/ assurance practitioner to obtain sufficient appropriate (audit) evidence, such that the auditor/ assurance practitioner is able to form an opinion over the subject matter information as a whole. However, we believe this less likely to be appropriate in an AUP engagement in which the practitioner is executing individual procedures over specific subject matter information and reporting findings in the form of factual results on each procedure as opposed to forming an opinion/conclusion over information as a whole.

If a practitioner does not have sufficient expertise in the underlying subject matter then it may not be appropriate for them to accept the AUP engagement. It may be helpful to include this as a more explicit pre-condition to accepting an AUP engagement, as part of considering the professional competence and capabilities of the engagement team, and which would require the exercise of professional judgement. This is because the findings from each procedure stand individually and therefore the practitioner may not be
able to take responsibility for any individual finding if the majority of a procedure has been performed by another party.

We are also concerned because the use of an expert may suggest that, in certain circumstances, there may need to be exercise of professional judgement above and beyond that which would usually be contemplated in an AUP engagement, and furthermore, that the findings from the procedures would not be capable of being objectively verified and described, which is a fundamental principle of an AUP engagement. Please refer to our response to Question 2 for further details.

Related to this is the consideration of resources – i.e. the more senior, or the more expert the resources need to be, the more this may point away from an AUP engagement. Please refer to our response to Question 5. We note that the description of the value of the engagement, at paragraph 4 of the ED, results from compliance with professional standards, including ethical requirements, and clear communication of the procedures and the findings. Unlike audit/ assurance standards, it does not refer to skills, knowledge and experience of the practitioner. Since the procedures should be capable of being objectively verified, presumably by a “reasonable” practitioner who is not an expert, we suggest the IAASB consider whether the concept of skills and experience, and the “collective competence and capabilities of the engagement team, including experts”, as described at paragraph 19(b)(ii), is appropriate.

As a result of the above, it may be more appropriate, in certain circumstances, for the engaging party to separately contract with the expert to obtain their findings over the specialist subject matter information, and then to consider these findings, together with those of the practitioner resulting from other procedures that the practitioner is capable of performing, in forming their conclusion. We do not believe it is appropriate for the practitioner to do this, i.e. to act as a central point of contact to “sub-contract” discrete procedures to other parties, to collate their findings, and present these in their own report, as this may be misleading, for example, it may suggest that the practitioner is forming a conclusion over the procedures as a whole, or endorsing the work of an expert.

We note that our concerns above would also apply to any involvement of another practitioner, not only an expert, for example, if the practitioner were requested to perform an AUP engagement and a significant proportion of procedures related to a service organisation, such that the practitioner would need to use the work of another practitioner.

Accordingly, we recommend that the IAASB include more guidance regarding the need to exercise professional judgement in determining whether the level of involvement of the expert is appropriate in the engagement circumstances, as to when this may or may not be proportionately too extensive, or relate to relatively more complex versus routine matters, such that the practitioner is still able to take responsibility for the individual procedure and related findings. We also recommend the inclusion of practical examples in the application material as to when it would/ would not be appropriate to use the work of an expert or other practitioner. Such considerations would need to be linked to engagement acceptance/ continuance decisions, consideration as to whether the preconditions for an AUP engagement are present, and whether the engagement has a rational purpose.

Notwithstanding our comments above, we note that the definition of an expert in audit/ assurance standards is of an individual/organisation possessing expertise in a “field other than accounting or auditing/ assurance standards”, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence.
We do not believe the definition at 13(i), which also refers to “expertise in a field other than assurance”, is appropriate in this context and we recommend that the IAASB remove reference to assurance and replace with agreed-upon procedures.

Furthermore, we are also concerned about the statement at paragraph 31, “If the practitioner refers to the work performed by the practitioner’s expert...”. Although an AUP engagement is different to an assurance engagement in which the practitioner forms an opinion over the subject matter information as a whole, we consider that the practitioner performs procedures and reports findings specific to a particular purpose, and as such, is responsible for the overall quality of these procedures and findings as described in A44. This is clear in that the engagement is described as a whole, linked to a unified purpose, and assessments such as collective capability and competence of the engagement team are made as a whole, and not procedure by procedure. As a result, we do not believe it appropriate that the practitioner may divide responsibility and make reference to expert(s). Accordingly, we suggest that paragraph 31 state that “The practitioner’s report of factual findings shall not make reference to the work of an expert, unless required by law or regulation to include such a reference”. Instead we consider that any work performed by an expert is embedded in the procedure itself, for which the practitioner takes full responsibility.

We also recommend that the IAASB amend paragraph 28(d), which states that “findings reported by the expert adequately describe the results...”. Since the findings are the results, we suggest that the IAASB instead explain that the findings are to be described objectively, in terms that are clear, not misleading or subject to varying interpretations, in accordance with this pre-condition as set out at paragraph 20(b).

21. PKF

It is recommended that the definition of the practitioner’s expert be aligned with the definition contained in ISA 620 Using the work of an auditor’s expert. The revised standard excludes assurance work, which does not necessarily include accounting work.

We however agree with the requirements of the standard.

22. PwC

Yes. The proposals, based on the underlying principles when using an expert in an audit, are pragmatic and reasonable. We do, however, recognise the perception challenge. Requiring expertise can imply a need for significant judgement. It is important, therefore, that the principle that the procedures to be performed, and related findings, should not require significant judgement and that they are capable of being described objectively be reinforced when using an expert. The expert applies their competence and capabilities in performing the procedures, but the reason for their involvement is not, and cannot be, because the subject-matter requires subjective interpretation. We believe it may also be useful to reinforce in the application material that, when expertise is required, the engaging party remains responsible for acknowledging the appropriateness of the procedures.

We also support the proposed changes to the AUP report with respect to the practitioner’s overall responsibility for the procedures to be performed.

Acknowledging the risk of perception issues, we believe that the examples in paragraph A35, in particular those relating to engineering and legal aspects of a contract, could be seen as implying a need for significant judgement. We suggest it may be preferable to delete or replace these examples. We also believe that illustration 2 in Appendix 2 to the proposed standard could include a more useful example. It is unclear why the procedure as described in the illustration would require an external expert. Using the example of a
chemist analysing toxin levels, from paragraph A35, may be a better example.

23. RSM

Yes, we agree with the proposed requirements and application material on the use of a practitioner’s expert.

24. AGC

Yes, we agree with the proposed requirements, application material and reporting concerning the use of a practitioner’s expert.

25. GAO

We agree with the proposed requirements set forth in paragraph 28 of ED-4400. We would add an additional requirement in the agreeing to the terms of the engagement identifying the use of an expert, especially if the expert is external to the practitioner’s firm. This requirement should include whether the expert will be referred to in the AUP report. We believe that application and other explanatory material for the use of an expert for an AUP engagement should expand on how a practitioner would apply the requirements. Paragraph A35 in ED-4400 should be modified to provide broader examples and thereby a better understanding to practitioners. The inclusion of paragraph A36 is not necessary as it is a restatement of a requirement. We suggest the IAASB consider additional guidance for the proposed requirements on the use of an expert to further explain how practitioners are to apply the proposed requirements.

26. NAOT

I agree with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400

27. PAS

No, it is not clear within paragraph 28(d) whether the results of the work performed by the expert could include opinions or conclusions, since findings in 13(f) “exclude opinions or conclusions in any form.”

28. ACCA-CAANZ

We agree that the provisions regarding the use of an expert are a practical response to the potential need to engage different expertise, especially when AUPs deal with non-financial information. However we do not consider that ED-4400 makes it sufficiently clear that the expert’s work and report must be fact-based, in exactly the same way as is required for the practitioner. The practitioner needs to ensure that they are only making use of the expert’s expertise and knowledge, not any professional judgment on their part. Therefore we recommend the inclusion of a new subsection in paragraph 28 specifically addressing this issue.

Additional guidance about objective and scientific facts, such as that included in Appendix 1 of the Australian Accounting Professional and Ethical Standard Board’s APES 215 Forensic Accounting Services may be of additional assistance.

We also note that, if the engagement is to involve an expert, then this assessment of competence should occur prior to engagement acceptance and the need for the expert’s involvement included in the engagement letter.

The performance of the engagement should then include an assessment and documentation of how this competence was demonstrated and used. Given this, these paragraphs should be cross-referenced to the
engagement acceptance and continuance section (the assessment phase) and the reporting phase (evaluation).

29. AE

The proposed requirements and application material on the use of a practitioner’s expert are appropriate and tries to mirror the approach included in the ISAs. The wording used could be adapted to reflect the one used in the ISAs. Nevertheless, ISRS 4400 is not yet as clear as it could be as to situations where a practitioner has recourse to an expert.

In terms of timing for instance, the requirements of paragraph 28(c) should be proactive rather than retroactive. The practitioner must instruct the expert appropriately as to their respective roles in advance of any AUP being performed and later determine that this has indeed been achieved.

In terms of clarifying responsibilities, as per paragraphs 28(b) and 31, the practitioner may only use the work of an expert to support the practitioner’s own performance of the AUP. This needs to be clear, and thus the wording of para. 28(d): “…the findings reported by the expert…” is misleading, because it appears to imply that an expert has carried out one or more of the AUP. We suggest this phase be revised in finalising para. 28(d).

Paragraph 28(b) requires an advance determination of the practitioner’s ability to be sufficiently involved in the work of the expert. In our view, this is a prerequisite for the practitioner to accept the engagement, which we suggest would be more appropriately dealt with in the section on engagement acceptance and continuance. In paragraph 28, before issuing the AUP report, the practitioner should then be required to determine that the level of involvement actually achieved in respect of the performance of each AUP giving rise to the relevant finding(s) was indeed sufficient to warrant taking responsibility for the finding(s) included in the AUP report.

Where special technical competence is required, the AUP report would need to describe who performed the procedures and note the special technical competence required. ISRS 4400 would further need to require the AUP report clarify the respective responsibilities of the practitioner and the expert.

Additionally, referring to the first part of the definition of a practitioner’s expert as included in paragraph 13(i), we do not think that expertise in assurance engagements should be required for a practitioner to perform an agreed-upon procedure engagement. We assume that the IAASB means that an expert will bring expertise in a field that the practitioner would not be expected to have as a professional accountant. We suggest the definition of a practitioner’s expert be amended accordingly.

30. AICPA

Response: Yes.

We believe that the requirement with respect to references to the use of the expert in an AUP report in paragraph 31 and the related application guidance in paragraph A44 is appropriate as the practitioner’s expert is part of the engagement team.

31. CAI

The role of the expert is particularly relevant for non-financial information.

We are unsure about the inclusion of the example of using a lawyer as an expert as in our experience the use of a lawyer will usually involve the interpretation of legislation which by its nature does not appear to accord with an agreed upon procedures engagement.
32. CPAA

We agree with the requirements and application material in relation to use of a practitioner’s expert, however, in addition the requirement in paragraph 28 could be enhanced to require the scope of the expert’s work to appropriately reflect an AUP. The scope of an expert’s work should not require the expert to determine the sufficiency of the procedures to be performed, perform a risk assessment, evaluate the findings or reach a conclusion when conducting the procedures agreed, as these are elements of assurance engagements.

33. EFAA

We agree.

We believe the proposed extension of ED-ISRS 4400 to include the use of a practitioner’s expert increases the flexibility and practicability of the standard. We agree with the proposed requirements in paragraphs 28 and 31 on the use of a practitioner’s expert. Since the practitioner has overall responsibility for the AUP engagement, the expert may only be involved for selected and clearly defined areas. The determination as to whether an expert is needed, and the selection of the appropriate expert, demands professional judgement.

34. FAPT

Answer: Yes, we’re agreed with proposed requirement for the use of the expert in Exposure Draft ISRS 4400.

35. FAR

FAR agrees with the Working Group on enhancing ISRS 4400 in the way suggested. Guidance when using the work of an expert is helpful. Especially if an AUP engagement is performed on non-financial information it can be important for the practitioner to use the work of an expert with necessary knowledge in the required field.

36. FSR

Requirements and application material

We agree that the revised ISRS 4400 should address the use of the work of a practitioner’s expert in an AUP engagement.

In general, we agree with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400. However, we suggest that paragraph 28 on the use of the work of an expert should be expanded as follows:

(e) Evaluate whether the need to use the work of a practitioner’s expert will affect the practitioner’s ability to report his/her findings in an objective manner.

In addition, we suggest that a new paragraph A37 is added stating the following:

A37: The more the practitioner finds it necessary to use the work of a practitioner’s expert, the more the practitioner may need to consider whether the condition that the agreed-upon procedures can be described objectively, in terms that are not subject to varying interpretations from both the practitioner and the practitioner’s expert, is present.
The above suggestions will in our opinion highlight the importance that work and findings of an expert should be objective and not subject to varying interpretations, as also emphasized in A16 in regard to the use of professional judgment.

References to the use of the expert in an AUP report

We agree that it is important that the AUP report does not imply that the practitioner’s responsibility is reduced because of the involvement of a practitioner’s expert.

However, we are concerned that when reference is made to the work of the practitioner’s expert this might imply a reduction in the practitioner’s responsibility for the AUP engagement. In our opinion, any reference to the work of a practitioner’s expert should be left out of the AUP report (as in an audit), unless law and regulations require the practitioner to describe the involvement of an expert in the AUP report.

If, however, the practitioner is required to make reference to the work of an expert in the AUP report, the reference should be made in the description of the procedures. Consequently, illustration 2 should in our opinion be aligned accordingly.

37. IAAA

Yes, we agree with the proposed requirements in relation to the experts and the professional to accept an expert, foreseen in the draft modification of the standard.

38. IBRACON

Yes.

39. IBR-IRE

We agree with the direction taken in the ED. However we have three observations to offer.

It would be beneficial to complement the requirement in paragraph 28b with an additional requirement in the “Engagement acceptance and continuance” section of the Standard, stating that the practitioner shall determine whether to use the work of a practitioner’s expert.

We would suggest adding to the list in paragraph 26 an obtaining of understanding of the field of expertise of the practitioner’s expert. This would have the benefit of being a mirror of the requirements in ISA 620 – Using the work of an auditor’s expert. This requirement should ensure that the expert with right expertise is engaged.

We are not convinced of the relevance of adding a reference to the use of an expert in an AUP report as illustrated in Illustration 2. This has not been done in other engagements and we do not see the added value to add this in an AUP-report.

40. ICAEW

We agree with the proposed requirements but believe that illustration 2 in appendix 2 is not as helpful as it could be. Simply stating an expert has been used for a procedure, where it is not readily apparent why an expert would be needed in the first place, does not add much value. If the example explained why the expert was used and how it was done in practice, then it would likely be more useful to users of the report.

41. ICAN

Yes.
42. ICAP

In an AUP engagement, the expert could be engaged and we agree with the proposed requirements and application material on the use of a practitioner’s expert.

Keeping in view the AUP engagement principle, the expert would be engaged in an AUP engagement to apply competence and capabilities but would not be engaged due to the subject-matter requiring subjective interpretation. In this context a clarification in the application material would be useful.

We also support the proposed changes to the AUP report with respect to the practitioner’s overall responsibility for the procedures to be performed.

43. ICAS

The proposed requirements and application material on the use of a practitioner’s expert are appropriate and are intended to mirror the ISA approach to the use of a practitioner’s expert. We would however suggest that the same wording is used as that in the ISAs.

Nevertheless, ISRS 4400 could be clearer in defining situations where a practitioner has recourse to an expert.

Paragraph 28(b) requires an advance determination of the practitioner’s ability to be sufficiently involved in the work of the expert. In our view, this is a prerequisite to the practitioner accepting the engagement. We would suggest that this would be more appropriately dealt with in the section on engagement acceptance and continuance.

Where special technical competence is required, the AUP report would need to describe who performed the procedures and note the special technical competence required. It would also be beneficial if ISRS 4400 included suggested wording on the respective responsibilities of the practitioner and the expert for insertion within the illustrative AUP reports.

44. ICPAU

We are in support of the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400.

45. SMPC

In principle, we agree that ED-4400 should be enhanced for the use of experts in AUP engagements, but it is not yet as clear as it could be as to situations where a practitioner has recourse to an expert. Paras. 28(b) and 31 make clear that the IAASB does not intend the practitioner’s responsibility for performing the procedures and reporting the findings to be reduced by the involvement of the expert, as the practitioner must be directly involved in work of an expert, to an extent sufficient to take responsibility for the finding.

In the SMPC there were mixed views on how much the practitioner should be involved, in order to take responsibility for the findings. For example, some support A35 which includes using the work of a practitioner’s expert in performing the procedures by applying the expert’s competence and capabilities where it is not practical for the practitioner to undertake the procedure (for example, using an electron microscope to examine some mineral samples and measure the size of the crystalline structure). However, others are concerned that if the practitioner does not have sufficient experience and expertise they should not be undertaking the engagement at all, as they cannot take responsibility for the findings i.e. as it is the performance of an AUP that gives rise to a finding on that procedure, if it was carried out by an expert it would result in a finding(s) of that expert, not the practitioner.
Therefore, as explained below, the determination of the extent of the practitioner’s involvement will be crucial at the engagement acceptance stage, and practitioners would also have to be alert to the potential for post-acceptance changes in the AUP to influence this determination as the AUP progresses. Where this is not the case, there would have to be a separate engagement undertaken by the expert and not the practitioner.

There may be challenges for practitioners to meaningfully assess the expert’s competence and capabilities. Furthermore, para.28 (a) and para 28 (b) requires an advance determination of the practitioner’s ability to be sufficiently involved in the work of the expert. In our view, this is a prerequisite for the practitioner to accept the engagement, which we suggest would be more appropriately dealt with in the section on engagement acceptance and continuance. In paragraph 28, before issuing the AUP report, the practitioner should then be required to determine that the level of involvement actually achieved in respect of the performance of each AUP giving rise to the relevant finding(s) was indeed sufficient to warrant taking responsibility for the finding(s) included in the AUP report.

In addition, we suggest that the requirements of para. 28(c) should be proactive rather than retroactive. The practitioner must instruct the expert appropriately as to their respective roles in advance of any AUP being performed and later determine that this has indeed been achieved. Where special technical competence is required, it would need to be agreed-upon with the engaging party and the AUP report would also need to describe who performed the procedures and note the special technical competence required. ISRS 4400 (Revised) would further need to require the AUP report clarify the respective responsibilities of the practitioner and the expert.

We are also concerned that the definition of “practitioner’s expert” in 13 (i), refers to “expertise in a field other than assurance”. Expertise in assurance engagements is not needed for a practitioner to be able to perform an AUP engagement. Indeed, globally many accountants in public practice – and sole practitioners and SMPs in particular – will not perform assurance engagements. Our understanding is therefore that the expert under ISRS 4400 (Revised) would have expertise that the practitioner (i.e., all professional accountant in public practice adhering to ethical requirements of competence and due care) will not be expected to have. The term “assurance” should therefore be replaced by “agreed-upon procedures engagements”.

46. ISCA

The use of a practitioner’s expert in an AUP engagement is not common. An expert is usually engaged when his opinion is used to support the position to be given by a practitioner. The need to use an expert in an AUP engagement may suggest that there is a significant amount of professional judgement applied by the expert which is beyond what would typically be applied in an AUP engagement. This may result in the findings from the procedure incapable of being objectively described and verified.

However, we do note that a significant majority of respondents to IAASB’s Discussion Paper were of the view that it would be useful to develop new requirements and application material to address the use of the work of a practitioner’s expert in an AUP engagement. If the requirements and guidance on practitioner’s expert is included in ISRS 4400 (Revised), we suggest greater clarity in paragraph A35 on the use of practitioner’s expert such that it is clear that when certain procedures are to be performed by an expert, only the expert’s competence and capabilities is applied, and the expert’s application of professional judgement does not go beyond that typically applied in an AUP engagement.

The above should be assessed by the practitioner when determining whether the AUP and related findings can be described objectively prior to accepting an AUP engagement. If the use of professional judgement
by the expert is likely to be beyond that typically applied in an AUP engagement, it may not be appropriate for the practitioner to accept the AUP engagement. We suggest for this consideration to be included in the application material relating to engagement acceptance and continuance.

47. KICPA

We support the requirements and application material on the use of a practitioner’s expert and reference to the use of the expert in an AUP report.

48. MICPA

Yes, the Institute agrees with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400.

However, due consideration should be given to situations where it could be more expedient for a party to contract directly with an expert rather than contracting with a practitioner who in turn is required to rely on such expert.

49. NYSS

We agree with the proposed requirements and application material on the use of a practitioner’s expert and references to such use on the AUP report, however, please see below for further consideration:

Consider whether there should be a requirement for the practitioner and the engaging party to agree to the involvement of an external specialist to ensure that the engaging party can adequately acknowledge that the procedures are appropriate for the purpose of the engagement as required by paragraph 22(b).

Paragraph 31, as it currently reads, seems to imply that the inclusion of a reference to the work performed by a practitioner’s expert is optional. Unless that is the intent, which it may be if not required by law or regulation as per paragraph A44, consider rephrasing paragraph 31 to "When the practitioner uses the work of a practitioner’s expert, a description of the nature of the assistance provided by the practitioner’s expert should be provided in the agreed-upon procedures report. The wording of the report shall not imply that the practitioner’s responsibility..." This would likely be even more important if the parties should first agree to the use of an expert as noted in the preceding comment.

50. SAICA

- 76% of the survey respondents agree with the proposed requirements and application material on the use of practitioner’s expert and the reference to the use of the expert in an AUP report.

- Even though we agree that ED-4400 should be enhanced to include the use of an expert in AUP engagements, it is not yet clear as to the situations where a practitioner has recourse to an expert. It is suggested that a more practical example is included to replace Illustration 2 in the appendix of ISRS 4400 (Revised).

- Paragraph 28(b) and 31 clearly states that the intention is not to reduce the practitioner’s responsibility for performing the procedures and reporting on the findings, as the practitioner must be directly involved in the work of an expert. However, there may be instances where it is not practical for the practitioner to be involved / undertake the procedure particularly in the area of non-financial matters.

- Furthermore there may be challenges for practitioners to meaningfully assess the expert’s competence and capabilities as per paragraph 28(a) and 28(b) requires an advance determination of the practitioner’s ability to be sufficiently involved in the work of the expert.
• Paragraph 26 of ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (Revised)), refers to where the practitioner and the expert, on a combined basis, possess adequate skill and knowledge regarding the subject matter and the criteria for the practitioner to determine that sufficient appropriate evidence has been obtained. It is suggested that similar wording is included in ISRS 4400 (Revised) to clarify the role of an expert in an AUP engagement.

• It is further suggested with reference to paragraph 30 and 31 of ISAE 3000 (Revised), that ISRS 4400 (Revised) provides clarity on what is expected from a practitioner when making use of an expert as part of an AUP engagement.

• Some further comments noted by the survey respondents:
  
a. The definition of a “practitioner’s expert” refers to “expertise in a field other than assurance”. Expertise in assurance is not a requirement for a practitioner to perform an AUP engagement, and is suggested that the term “assurance” is replaced by agreed-upon procedures.

b. Paragraph 28(c) should be extended to refer to procedures agreed upon with the engaging party.

c. Paragraph 24 and A24 does not include a statement and explanation on the required documentation pertaining to a practitioner’s expert; even though this is not an assurance engagement reference to ISA 620, *Using the Work of an Auditor’s Expert* is suggested.

51. WPK

We consider the proposed extension of ED-ISRS 4400 to the use of a practitioner’s expert as a reasonable measure that increases flexibility and practicability of the standard. We agree with the proposed requirements in ED-ISRS 4400.28 and .31 on the use of a practitioner’s expert. Since the practitioner remains responsible for the AUP engagement overall, the expert may only be involved for selected and clearly defined areas. The question whether an expert is needed and the selection of the appropriate expert require professional judgement.

52. TAS

Yes, we agree. In cases where the practitioner uses an expert, this does not result in an abdication of responsibility by the practitioner and as such the sections are clear enough to prompt the practitioner to retain responsibility for the procedures.