

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007

8 May 2020

Dear Chairman

Re: Exposure Draft ED 01/20 - Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*

Deloitte Touche Tohmatsu (Deloitte) is pleased to respond to the Australian Auditing and Assurance Standards Board (AUASB) on the AUASB's Exposure Draft ED 01/20 Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*

We support the need for a revised standard that meets the needs of users and the AUASB's policy to only amend or supplement ISRSs when there are compelling reasons to do so.

Please refer to Appendix 1 for our responses to the specific comments posed by the AUASB within ED 01/20.

In addition, we have included comments relating to specific paragraphs within the proposed standard in Appendix 2.

If you have any queries in relation to this response, please do not hesitate to contact me on 02 9322 3434.

Yours sincerely

Gareth Bird
Partner
Audit and Assurance Quality Leader
(signed in my capacity as a Partner at Deloitte and not as an AUASB Board member)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500@companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

CONFIDENTIAL

Appendix 1

Responses to specific questions posed with ED 01/20

Independence – Requirement

- 1. Do stakeholders support ED 01/20 not requiring independence for an AUP engagement? If not, why not?**

We support not having an independence requirement for an AUP as this aligns the Australian standard with the International standard.

- 2. Would stakeholders prefer to maintain the approach in extant ASRS 4400 whereby there is an independence requirement for the practitioner equivalent to the independence requirement applicable to ‘other assurance engagements’, unless the engaging party has explicitly agreed to modified independence requirements?**

Our preference is not to maintain the approach in the extant ASRS 4400 whereby there is an independence requirement for the practitioner equivalent to the independence requirement applicable to ‘other assurance engagements’, unless the engaging party has explicitly agreed to modified independence requirements.

Refer to our response to Question 1 above.

- 3. Are there any other independence pre-condition options that stakeholders would suggest to the AUASB that are not covered by questions 1 and 2 above? Please provide details.**

We have no other independence pre-condition options other than those already addressed in Questions 1 and 2 above.

- 4. If stakeholders do not support ED 01/20 not requiring independence for an AUP engagement, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of the EM) to modify ED 01/20 (based on revised ISRS 4400)?**

In our view there are no compelling reasons which require modification to ED 01/20 with respect to not requiring independence for an AUP engagement.

Independence – Reporting Requirements

- 5. Do stakeholders support ED 01/20 with the AUP report including statements addressing circumstances when the practitioner is or is not required to be independent? If not, why not?**

We support the proposed statements in paragraph 30(I)(i) and 30(I)(ii).

Appendix 1 (continued)

- 6. If stakeholders support maintaining the approach adopted in extant ASRS 4400 in relation to independence (as outlined in question 2 above), do stakeholders support maintaining the approach in extant ASRS 4400 whereby the report is required to contain a statement that either ethical requirements equivalent to those applicable to Other Assurance Engagements have been complied with, including independence, or, if modified independence requirements have been agreed in the terms of the engagement, a description of the level of independence applied?**

Refer to Question 2 above, we do not support maintaining the approach adopted in extant ASRS 4400 in relation to independence.

- 7. Are there any other independence reporting options that are not covered by questions 5 and 6 above? Please provide details.**

We do not consider that there are other independence reporting options.

- 8. If stakeholders do not support ED 01/20 with the AUP report required to include statements addressing circumstances when the practitioner is or is not required to be independent, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of the EM) to modify ED 01/20 (based on revised ISRS 4400)?**

We support ED 01/20 pertaining to this matter and do not consider there to be compelling reasons to modify ED 01/20.

Restriction on use

- 9. Do stakeholders support ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, but rather the report containing a statement identifying the purpose of the report and that the report may not be suitable for another purpose? If not, why not?**

We do not support the ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed.

We acknowledge that the AUASB's policy is to adopt the IAASB's international standards, unless there are compelling reasons not to do so; and to amend the standards only when there are compelling reasons to do so. However we recognise that in the Explanatory Memorandum to Exposure Draft 01/20: *Proposed Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements* that the AUASB considered in their submission to the IAASB, that the use of an AUP report should be restricted to parties that have agreed to the procedures performed or have been identified as intended users in the report. We continue to support this position as nothing has fundamentally changed that would suggest that restricting the use of the AUP report is no longer applicable.

We however note that the rationale for the IAASB not having this restriction in the standard is because in some jurisdictions, it may be possible to restrict the use of the AUP report but not its distribution and in other jurisdictions, it may be possible to restrict the distribution of the AUP report but not its use.

Appendix 1 (continued)

Considering this reason and the AUASB's original position, we believe that the Australian current practices provide the compelling reason to amend the proposed standard.

We also highlight that the precondition of an AUP engagement is that the procedures being performed have been agreed by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. In practice, for the practitioner to understand the purpose and therefore be able to conclude on whether the engagement is fit for purpose, the key is understanding the intended users and what they expect to get out of the engagement.

The paragraphs below in ED 01/20 appear to support the need for restriction of use as requirement:

- Paragraph 4 of ED 01/20 states that, “In an agreed-upon procedures engagement, the practitioner performs the procedures that have been agreed upon by the practitioner and the engaging party, where the **engaging party** has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner communicates the agreed-upon procedures performed and the related findings in the agreed-upon procedures report. The engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.”
- Paragraph 13 (a) defines agreed-upon procedures as procedures that have been agreed to by the practitioner and the engaging party (and if relevant, other parties). The application guidance in paragraph A10 of ED 01/20 states that “In some circumstances, the procedures may be agreed with intended users in addition to the engaging party. Intended users other than the engaging party may also acknowledge the appropriateness of the procedures.”
- Paragraph A54 (bullet one and two), will be applicable for most engagements and therefore most practitioners will end up with a restriction of distribution or use.

In the paragraphs above, it is clear that an AUP engagement is for a specific purpose and intended audience. It is then expected that the recipient and/or user of the AUP report are required to understand the terms of the engagement. This can only happen if either they were a party to the engagement letter or before they receive a copy and rely on the report, they understood that the engagement was for a particular purpose and may not be fit for their purpose. We believe therefore, that the better approach is to directly call out the restriction on use, rather than rely on the more subtle or indirect approach adopted by the IAASB as we understand the reason for them not taking the direct approach.

10. Would stakeholders prefer to maintain the approach in extant ASRS 4400 whereby the use of an AUP report is restricted to those parties that have either agreed to the procedures to be performed or have been specifically included as users in the engagement letter. Under ASRS 4400, a restriction on use paragraph is required to be included in an AUP report.

Yes, see our response to Question 9.

Appendix 1 (continued)

- 11. Are there any other restriction on use options that stakeholders would suggest to the AUASB that are not covered by questions 9 and 10 above? Please provide details.**

We are not aware of any other restrictions not already covered by Questions 9 and 10.

- 12. If stakeholders do not support ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of this EM) to modify ED 01/20 (based on revised ISRS 4400)?**

Based on our response to Question 9, we believe there are compelling reasons to modify ED 01/20 to incorporate a requirement for practitioners to restrict the use of the AUP report to parties that have agreed to the procedures to be performed.

Professional judgement

- 13. Do stakeholders support the way in which the exercise of professional judgement is dealt with in ED 01/20? If not, why not?**

We support how the exercise of professional judgement is dealt with in ED 01/20. We note that paragraph 18 of ED 01/20 requires that “the practitioner shall exercise professional judgement in accepting, conducting and reporting on an agreed-upon procedures engagement, considering the circumstances of the engagement”.

Our view is that the professional judgement to be applied in the conduct of the engagement would be limited, and we note that paragraph A22 is clear in providing appropriate guidance on what the exercise of professional judgement would entail, and would be limited to, in relation to the conduct of the AUP engagement.

As paragraph A22 does not suggest that practitioners should use professional judgement in modifying how procedures are conducted, we accept that practitioners performing the same procedures should still get the same results, notwithstanding the broader requirement of paragraph 18.

Other Questions

Stakeholders are asked to respond to the AUASB on the following questions in order to inform us when considering if any compelling reasons exist:

- 14. Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?**

None that we are aware of.

Appendix 1 (continued)

15. Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

None that we are aware of.

16. Whether there are any principles and practices considered appropriate in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

None that we are aware of.

17. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, the AUASB would like to understand:

- a) Where those costs are likely to occur;
- b) The estimated extent of costs, in percentage terms: and
- c) Whether expected costs outweigh the benefits to the users of AUP Reports?

We do not see the application of the requirements in the proposed standard resulting in additional significant costs.

18. Are there any other significant public interest matters that constituents wish to raise?

Stakeholder Engagement

Due to the substantive revisions to extant ASRS 4400, and the wide range of stakeholders (e.g. regulators, funding agencies, landlords) that use the proposed standard and AUP reports for a variety of reasons, the education of stakeholders is essential to the successful implementation of the proposed standard.

This is especially the case with respect to the key areas relating to independence and the restriction of use.

It is important for the AUASB to consider how, in publishing and promoting the final proposed ED 01/20, it will clearly communicate the key messages about these changes to all relevant stakeholders so as to remove the burden of ongoing and case by case education on practitioners.

Appendix 2

Table 1 : Proposed Changes

REF	Paragraph detail	Proposed amendments	Reasons
Para 6	An agreed-upon procedures engagement is not an audit, review or other assurance engagement. An agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or an assurance conclusion in any for	An agreed-upon procedures engagement is not an audit, review or other assurance engagement. An agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion, a review or an assurance conclusion in any for	Propose insert review to align with the preceding sentence.
Para 13 (a)	(a) Agreed-upon procedures – Procedures that have been agreed to by the practitioner and the engaging party (and if relevant, other parties). (Ref: Para. A10)	(a) Agreed-upon procedures – Procedures that have been agreed to by the practitioner and the engaging party (and if relevant, other parties intended users). (Ref: Para. A10)	Proposed change so as to align to paragraph A10.
Para 13 (b)	(b) Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party (and if relevant, other parties) have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report. (Ref: Para. A10)	(b) Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party (and if relevant, other parties intended users) have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report. (Ref: Para. A10)	Proposed change so as to align to paragraph A10.
Para 13 (f)	(f) Findings – Findings are the factual results of agreed-upon procedures performed. Findings are capable of being objectively verified. References to findings in this ASRS exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. (Ref: Para. A12–A13)	(f) Findings – Findings are t The factual results of agreed-upon procedures performed. Findings are capable of being objectively verified. References to findings in this ASRS exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. (Ref: Para. A12–A13)	<ul style="list-style-type: none"> Proposed change so as to align to the format of the other definitions. The second sentence seems to suggest the practitioner may make opinions, conclusions or recommendations in an AUP, which may lead to undue confusion or misunderstanding. Perhaps this can be moved to application guidance indicating that it is not expected that

			the practitioner will be providing opinions, conclusions or recommendations.
Para 22 b.	The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party;	The purpose of the engagement and the intended users of the agreed-upon procedures report as identified determined by the engaging party;	We believe that the engaging party determines the purpose rather than identifying the purpose of the engagement and therefore recommend replacing that term.
Para 22 g.	Reference to the expected form and content of the agreed-upon procedures report.	Reference to the expected form and content of the agreed-upon procedures report and a statement that there may be circumstances in which a report may differ from its expected form and content;	There may be circumstances in which the agreed-upon procedures report may differ from its expected form and content for example, in most cases the template report does not take into account exceptions and this may change depending on the outcome of the engagement.
Para 23	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 necessary action.	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 practitioner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.	It is not clear why the emphasis is on the communication to the firm as all the requirements for engagement acceptance and continuance all reference to the practitioner.
Para. 24	Acknowledgement by the engaging party (and if relevant, other parties) that the agreed-upon procedures are appropriate for the purpose of the engagement; (Ref: Para. A10)	Acknowledgement by the engaging party (and if relevant, other parties intended users) that the agreed-upon procedures are appropriate for the purpose of the engagement; (Ref: Para. A10)	Proposed change so as to align to paragraph A10.
Para. 24	(h) Identification of the addressee of the agreed-upon procedures report.	(h) Identification of the addressee (s) of the agreed-upon procedures report , who is the engaging party and where applicable, other intended user (s).	We propose that the AUASB provide guidance that clarifies that the engaging party will always be the addressee at the minimum. In addition, acknowledge that there may be other addressees in addition to the

			engaging party but this may not always be the case.
Para. 28	The practitioner shall consider whether it is necessary to request written representations (Ref: Para. A24)	The practitioner shall consider evaluate whether it is necessary to request written representations (Ref: Para. A45)	Using the term ‘consider’ tends to dilute the requirement and doesn’t convey the expected action.
Para. 30	(m) A statement that the firm of which the practitioner is a member applies ASQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQC 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQC 1;	(m) A statement that the firm of which the practitioner is a member applies ASQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQC 1; and for professional requirements other than ASQC 1, If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQC 1;	<ul style="list-style-type: none"> Based on the first sentence it is clear that the practitioner would need to consider what professional requirements they have complied with. Is there a need for the AUASB to provide examples of which professional requirements or requirements in law or regulations are considered at least demanding? It is not clear why this paragraph references to professional accountant as this is not defined in the standard.
Para. A55	If the practitioner is unable to describe the agreed-upon procedures or findings without including confidential or sensitive information, the practitioner may consider: <ul style="list-style-type: none"> Consulting internally (for example, within the firm or network firm); Consulting externally (for example, with the relevant professional body or another practitioner); or Obtaining legal advice, 	If the practitioner is unable to describe the agreed-upon procedures or findings without including confidential or sensitive information, the practitioner may consider: <ul style="list-style-type: none"> Consulting internally (for example, within the firm or network firm); Consulting externally (for example, with the relevant professional body or another practitioner); or 	It appears that the fourth bullet should be part of the third bullet point.

	<ul style="list-style-type: none"> • to understand the professional or legal implications of taking any particular course of action. 	<ul style="list-style-type: none"> • Obtaining legal advice, to understand the professional or legal implications of taking any particular course of action. 	
Para. A56.	<p>There may be circumstances when the fact that previously agreed-upon procedures have not been performed or have been modified is important to the intended users’ consideration of the agreed-upon procedures and findings. For example, this may be the case when the procedures are set out in law or regulation. In such circumstances, the practitioner may identify, in the agreed-upon procedures report, the procedures agreed in the original terms of the engagement which could not be performed or were modified, and why that has arisen.</p>	<p>There may be In circumstances where the fact that previously agreed-upon procedures have not been performed or have been modified, it is important to the intended users’ consideration of the agreed-upon procedures and findings. For example, this may be the case when the procedures are set out in law or regulation. In such circumstances, the practitioner may identify, in the agreed-upon procedures report, the procedures agreed in the original terms of the engagement which could not be performed or were modified, and why that has arisen.</p>	<p>Considering the nature of an AUP engagement, it is expected that when certain procedures are modified or cannot be performed, this information will always be relevant to the intended users.</p>
Para. A60	<p>For a procedure requiring enquiries of specific personnel, the practitioner may record the dates of the enquiries, the names and job designations of the personnel and the specific enquiries made</p>	<p>N/A – see comment</p>	<p>In practice, it is common to have ‘enquiry’ as a procedure. However, considering the definition for findings in ED 01/20, the AUASB should consider adding guidance on how the findings from an ‘enquiry’ procedure would look like so as to meet the requirement of ‘being capable of being objectively verified’.</p> <p>A proposal would in addition to including the information in paragraph A60, the AUASB can consider adding that the practitioner may also record the exact outcome/response to the enquiry in the report. In addition, it would be useful if an illustrative example relating to an enquiry type procedure could be included.</p>

<p>Appendix 2 Illustration 2 Procedure 2</p>	<p>Findings column “...We found 1 contract valued at \$65,000 that was not subject to bidding. Management has represented to us that the reason that this contract was not subject to bidding was due to an emergency to meet a contractual deadline...”</p>	<p>We found 1 contract valued at \$65,000 that was not subject to bidding. Management has represented to us that the reason that this contract was not subject to bidding was due to an emergency to meet a contractual deadline.</p>	<p>Propose this is deleted as it does not meet the definition of a finding in ED 01/20, it is not directly linked to the procedure and it may set an expectation from users that this is acceptable.</p> <p>To address the fact that in practice clients commonly expect the practitioner to include the reasons for exceptions, we suggest that the proposed standard be updated to include in the example procedures, a procedure for obtaining an explanation/representation for an exception and an example of appropriate wording as a finding for this procedure.</p>
<p>Appendix 2 Illustration 2 Procedure 3</p>	<p>Findings column We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contracts. In all these cases, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X8.</p>	<p>We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contracts. In all these cases, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X8.</p>	<p>Same rationale as above.</p>

Appendix 2 (continued)

Table 2 : Editorial Comments

REF	Paragraph detail	Proposed amendments	Reasons
Para 3	Quality control systems, policies and procedures are the responsibility of the firm. ASQC 1 applies to firms that perform Related Services Engagements . The provisions of this ASRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ASQC 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)	Quality control systems, policies and procedures are the responsibility of the firm. ASQC 1 applies to firms that perform Related Services Engagements . The provisions of this ASRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ASQC 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)	Changes made to align to paragraph A3. Capitalisation in this context is generally used when referencing to the name of the standard.
Para A34	Terms that imply expression of an assurance opinion or conclusion such as “we certify,” “we verify,” “we have ascertained” or “we have ensured” with regard to the findings	Terms that imply expression of an assurance opinion or conclusion such as “we certified,” “we verified,” “we have ascertained” or “we have ensured” with regard to the findings	Proposed change to align to the rest of the sentence.
Appendix 2 Illustration 2 Procedure 2	Title : Illustrations of Agreed-Upon Procedures Reports	Illustrations of Reports for Agreed-Upon Procedures Engagements	To align to the title for Appendix 1.