



Australian Government
Auditing and Assurance Standards Board

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Mr Willie Botha

Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017 USA

Draft

Dear Willie,

AUASB Submission on IAASB Proposed ISRS 4400 –Agreed-Upon Procedures Engagements

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB’s Exposure Draft ISRS 4400 *Agreed-Upon Procedures Engagements*.

The AUASB is supportive of this Exposure Draft, particularly in light of the increasing demand for agreed-upon procedures engagements globally.

In formulating our response the AUASB sought input from its stakeholders in three principal ways:

1. From hosting a webinar that was attended by over 50 stakeholders representing a broad range of backgrounds, including assurance providers from a range of audit firms, professional accounting bodies, academics, those charged with governance and preparers of financial statements.
2. Through an open invitation to provide comments on the AUASB issued Consultation Paper on this topic via the AUASB website.
3. Formal discussions and deliberations by AUASB members at recent AUASB meetings.

Whilst the AUASB considers that ED 4400 has been clarified to respond to the needs of stakeholders and address public interest issues, there are a number of matters which we consider need to be addressed by the IAASB to improve consistency in implementation of the standard and that the needs of intended users are met.

Our matters of particular importance for the IAASB’s consideration are elaborated on further in the detailed submission attached. and include particular concerns in relation to professional judgment and independence.

1. *Professional Judgment:*

One of the most significant attributes of an AUP engagement is the lack of subjectivity in both the procedures and the resultant factual findings. The distinguishing factor between assurance engagements and an AUP engagement is that the practitioner performs the procedures as agreed with management and reports factually on the findings.

Introducing the concept of ‘professional judgement’ in relation to the conduct of procedures would envisage that procedures are performed in a manner that was not initially agreed (in the engagement letter) and hence it may become difficult to report factually which may result in different practitioners performing the same procedures, getting different results as the level of professional judgement differs.

The AUASB would like to see a clearer requirement in relation to the exercise of professional judgement and suggests that paragraph 18 of ED ISRS 4400 is replaced with more explicit wording:

The nature, timing and extent of procedures shall be specified in the terms of the engagement in sufficient detail such that the assurance practitioner will not be required, during the course of the engagement, to exercise professional judgement in determining or modifying the procedures to be performed.

2. Independence and Objectivity

In Australia, while the Code of Ethics does not require independence for AUP Engagements, it is a requirement of the Australian Standard on Related Services Engagements ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* for practitioners performing Agreed-Upon Procedures Engagements, to have a level of independence equivalent to the independence requirements applicable to Other Assurance Engagements, unless the engaging party has explicitly agreed to modified independence requirements in the terms of engagement.

While we acknowledge that in many cases AUP engagements are performed by auditors and are already independent, it is our view that in the current market (and in terms of the current global climate of issues facing the auditing profession), users expect more from practitioners and therefore the need for some level of independence.

The AUASB considers it difficult to argue that the practitioner is objective if they are not independent as the second part of the independence definition in the Code of Ethics states that:

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

Accordingly, the AUASB is of the view that the assurance practitioner, when carrying out procedures of an assurance nature and reporting factual findings, should have some independence requirements, which can be less onerous than for assurance engagements for example as contained in the Australian ASRS 4400.

In the event that the IAASB ends up in a position that there is no precondition for the practitioner to be independent, the AUASB considers that the variability of outcomes as presented in the Explanatory Memorandum is confusing and accordingly may not be beneficial to intended users. Our response to Q3/4 as contained in the detailed submission (link) contains further comment in this regard.

While the international standard on AUPs hasn’t been revised in more than 20 years. The corresponding Australian Standard ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* has been. Infact the last Australian revision was as recent as July 2013. The Australian Standard is well accepted and used in practice. Many of the aspects contained in Exposure Draft ISRS 4400 are already included in the extant Australian standard. For this reason, we have referenced ASRS 4400 throughout our submission. For ease of reference we have attached ASRS 4400 as Appendix to our submission and included the hyperlink [here](#).

Should you have any queries regarding this submission, please do not hesitate to contact me or Rene Herman at rheman@auasb.gov.au.

Yours sincerely,

Robin Low
Deputy Chair