



AUASB Comments Received and Proposed Disposition Paper

AGENDA ITEM NO. **6.3**

Meeting Date: 6 March 2019

Subject: Agreed-Upon Procedures Engagements

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LISTING OF RESPONDENTS

Exhibit number	Short Form Name	Date Received
1	Stakeholder 1 - Confidential	11 February
2	Deloitte	14 February
3	KPMG	18 February
4	EY	19 February
5	PWC	20 February

EXHIBIT 1:

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
1	Has ED-4400 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?	Refer below, for our comments on the consultation paper.	No additional points to note	Yes
2	Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?	<p>We suggest that there is a cross reference inserted in para 13 j to para 18 and or from para 18 to para 13 j.</p> <p>While the explanatory paragraphs make it clear that there should not be judgment in the procedures themselves, the wording of para 18 “and conducting an AUP” would imply judgement can be used in the procedures, which the guidance clarifies. We would suggest revising as follows “The practitioner shall apply professional judgment in accepting and the conduct of an agreed-upon procedures engagement but there should be no professional judgement in the actual procedures undertaken, taking into account the circumstances of the engagement”.</p> <p>This would be more consistent with the clarifying guidance in A16.</p>	No additional points to note	Yes
3	Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what	With the clarification that the procedures themselves should not have judgment required in their execution the need for independence over and above the objectivity required under the IESBA code is conceptually sound, however, given that independence is defined as in fact and appearance, the achieving objectivity as a practitioner without independence seems to be a very fine line to draw and one which the public/users may or may not fully comprehend.	No additional points to note – while the respondent has not specifically answered yes or no, the ATG reads this response as support for the	Yes

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	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?		practitioner to have a level of independence.	
4	What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.	The varying outcomes I believe do not help users as they are not familiar with, nor is it likely they will read the standard and therefore how the inclusion of a statement regarding not being independent impact their consideration of the report. There is we believe perception/publc expectation that practitioners are and should be “independent” as part of their role, and therefore the idea that the practitioner can have a “not independent” status is not a preferred option. Further the variability of the outcome may create confusion and reduce the value of the service being provided particularly for intended users who are not engaged parties.	No additional points to note	Yes

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
5	Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?	The removal of the word factual from the title of the findings suggests to me that the level of objectivity has been reduced. Given that findings are then defined as the factual results, the change seems to be making it less clear that findings are factual and a redundant change at the same time. This change does not service the public interest or enhance quality in our opinion.	No additional points to note	Yes
6	Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?	<p>In principle the paragraphs referred to are an enhancement to the extant standard and will assist in the appropriate acceptance and documentation of the engagement. We do note:</p> <p>A22 describes “inquire” as an acceptable term and A23 describes “discuss” as an unacceptable term without specifying which whom and the specific questions asked, it would seem that it would be better to define in A22 as acceptable, “inquiry, enquiry and or discussion where the procedures specify with whom, and what questions are to be asked” as the critical point appears to be that for any verbal discourse as a procedure the questions and parties involved should be established in advance to avoid subjectivity.</p> <p>Further this does not provide guidance or commentary on the nature of the questions to be asked i.e. that they should be directed/closed questions not open-ended questions to which the answers are likely to require judgement or interpretation.</p> <p>A22 use of confirm, this is potentially a grey term, if a party wants for example confirmation of their accounting treatment this would potentially require considerable professional judgment and be a miss use of the AUP standard, as opposed to obtaining a confirmation from another party, or a factual confirmation such as the title deed has the clients name on it.</p>	The ATG considers the current wording in A22 and A23 to be clear enough, additionally, this is the only stakeholder to have raised this matter, and accordingly the ATG have not included this comment in the feedback to the IAASB.	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
7	Do you 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?	Yes.	No additional points to note	Yes
8	Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?	The acceptance that an AUP may be used by parties other than those directly engaged is a positive commercial move, the continued inclusion of the ability to restrict distribution or use provides the auditor with the tools to appropriately serve their clients.	This is a contrary view to feedback from the poll conducted on the webinar and is a contrary view to the independence requirements currently contained in ASRS 4400 and supported in this submission under point 3 above Accordingly the ATG have taken a different response in the draft submission to the IAASB.	N
9	Do you support the content and structure of the proposed	It does not seem appropriate that non-accountants are using Auditing and Assurance Standards to report. We would suggest that the highlighted	The ATG notes that other industry groups	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	AUP report as set out in paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?	wording above be removed from the standard, Auditing and Assurance Standards should be used by appropriately qualified accountants. Further this would appear to be somewhat contrary to the definition in para 13c	do use the AUASB suite of standards. Additionally, this is the only stakeholder to have raised this matter, accordingly the ATG have not included this comment in the feedback to the IAASB.	
10	In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below: a) Translations— recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents’ note in reviewing the ED-4400. b) Effective Date— recognising that ED-4400 is a substantive revision and given	Translations – N/A Effective Date - support	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable.</p>			

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EXHIBIT 2:

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
1	Has ED-4400 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?	Yes – however refer below	No additional comments	Y

<p>2</p>	<p>Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?</p>	<p>The definition of professional judgement in paragraph 13 (j) is the same as in auditing standard ASA 200 and we believe this was envisioned for assurance engagements and not necessarily for an AUP engagement.</p> <p>The distinguishing factor between assurance engagements and an AUP engagement is that the practitioner performs the procedures <u>as agreed</u> with management and reports factually on the findings. Introducing the concept of ‘professional judgement’ 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.</p> <p>Although we acknowledge that when accepting and agreeing to perform an AUP engagement, the practitioner would need to apply professional judgement, including this requirement, as in par 18 (applying professional judgement in <u>conducting</u> the engagement) of the ED, would result in the practitioner including subjectivity in the performance of an AUP. This will mean the results of the procedures performed would not necessarily be factual findings as defined in the proposed standard i.e. as “being capable of being objectively verified”.</p> <p>If the standard allows use of professional judgement in conducting the engagements, this may result in different practitioners performing the same procedures, getting different results as the level of professional judgement differs.</p> <p>Therefore, it is our view that the standard does not appropriately reflect the role of professional judgement in an AUP engagement.</p>	<p>No additional comments</p>	<p>Y</p>
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	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
3	<p>Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?</p>	<p>In Australia, removing the precondition will be a step backwards in terms of “raising the bar” of what is expected of professional accountants, as this is the current practice.</p> <p>The proposed standard does not require the practitioner to be independent. Based on the explanatory memorandum, one of the factors considered by the IAASB was that “the practitioner is reporting on factual results from performing the AUP, independence is less important as it is unlikely that factual results would be susceptible to potential bias”. The draft standard is also proposing allowing professional judgement in conducting the engagement, see point above. This will contradict with the IAASB view noted above relating to why independence is less important.</p> <p>It will be 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:</p> <p>“(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.”</p> <p>Considering that in most cases these AUP engagements are performed by auditors, it is our view that, the current market (and in terms of the current global climate of issues facing the auditing profession) expects more from practitioners and therefore the need</p>	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>for some level of independence, although the Code does not require independence for AUPs.</p> <p>In addition, paragraph A12 states “A practitioner performing an agreed-upon procedures engagement is required to fulfil the practitioner’s responsibilities in accordance with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the APESB Code, together with national requirements that are more restrictive. The APESB Code requires practitioners to comply with fundamental principles including <u>objectivity</u>, which requires practitioners not to compromise their <u>professional or business judgement because of bias, conflict of interest or the undue influence of others</u>. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, <u>require the practitioner to be objective when performing an agreed-upon procedures engagement</u>.”</p> <p>This paragraph implies there is a level of independence expected and accordingly, it is our view that the practitioners performing these engagements should have some independence requirements, which can be significantly less onerous than assurance engagements.</p> <p>We also question if the practitioner were not independent, and performs such engagements, how the user will value such a report, considering the current market perceptions.</p> <p>Accordingly, we do not agree with not including a precondition for the practitioner to be independent when performing an AUP engagement. Although an AUP engagement is not an assurance</p>		

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		engagement, there is an expectation that the practitioner performing these engagements will be objective.		
4	What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.	<p>See our overarching comment in point three above relating to independence.</p> <p>However, if the IAASB lands at a position that there is no requirement to be independent, we expect the practitioner is not required to make an independence determination and no disclosures should be required in the AUP report.</p> <p>We suggest that, the requirements and guidance need to be enhanced to cover the documentation expectations for practitioners especially in scenarios where, the practitioner has not assessed independence. Is there any expectation that they document why they have not assessed independence? If not, what is the expectation?</p> <p>Overall, we believe that the practitioners performing these engagements should have some independence requirements that can be significantly less onerous than assurance engagements.</p>	No further comment	Yes
5	Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?	<p>We do not necessarily agree with the change from “factual findings” to “findings”.</p> <p>This is because findings as defined in the Macmillan dictionary is “information that you discover, or opinions that you form</p>	No further commentary	Y

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		<p>after doing research.” and factual is defined as “based on facts or containing only facts, rather than theories or opinions.” Therefore using findings on its own in ED 05/18 could be subject to various interpretations.</p> <ul style="list-style-type: none"> • We agree with the principle of providing the definitions in paragraph 13 (f). • If the AUASB intend to keep the term findings, the we proposed the following change: <ul style="list-style-type: none"> ○ Delete Paragraph A11. In some jurisdictions, the term “findings” may be replaced with “factual findings” as the term findings is defined in the standard. 		
6	Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?	<p>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 this is not necessary as:</p> <ul style="list-style-type: none"> • Paragraph 22 (b) requires the engagement letter to include an acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement; and • Paragraph 30 h (ii) also requires the report to include that “The engaging party has acknowledged that the procedures are appropriate for the purpose of the engagement, and that the 	The ATG are of the view that A26 is more about guidance so understand how intended users may be kept informed of the terms of the engagement. The ATG is of the view that A26 is beneficial.	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>practitioner makes no representation regarding their appropriateness;”</p> <p>It is our view that this should be sufficient and appropriate evidence of the engaging party’s intentions.</p>		
7	Do you 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?	We agree 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.	No additional comments	Y
8	Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?	<p>The AUP report should be restricted to parties that have agreed to the procedures performed. It is our view that the recipient of the report and ultimately the user of the 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 the terms of the engagement.</p> <p>Although paragraph A43 provides an option to the practitioner to consider restricting use, having too many options and differing treatment, will result in inconsistencies.</p>	No additional comments	Y
9	Do you support the content and structure of the proposed AUP report as set out in	Comments link into above changes.	No further comment	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?			
10	<p>In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:</p> <p>c) Translations— recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-4400.</p> <p>d) Effective Date— Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard</p>	<p>Translations – N/A</p> <p>Effective Date - support</p>	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable.</p>			

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EXHIBIT 3:

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
1	Has ED-4400 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?	<p>We believe that ED-4400 has been modernised and is a better fit to the current needs of stakeholders than the extant ISRS 4400, however the standard could benefit from further clarification in certain areas – refer below.</p> <p>We will expand on these areas in our responses to the specific questions below.</p>	No additional comments	Y

<p>2</p>	<p>Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?</p>	<p>Although many of the improvements on professional judgement are helpful and we generally support them, we note the following:</p> <ul style="list-style-type: none"> • The reference to “professional standards” in the definition at paragraph 13(j) is broad and may be unclear. In ISAE 3000 (Revised) the equivalent reference is more specifically to assurance standards and ethical requirements. We therefore suggest that the IAASB be similarly specific here. • We believe there is particular exercise of professional judgement in deciding whether to accept an AUP engagement, and in agreeing the procedures themselves, as well as in describing the findings in the report, with less relevance in performing the procedures themselves. It would be helpful to provide further clarity around this. • It would be helpful to highlight that although the practitioner exercises judgment if they become aware of certain matters, e.g. potential NOCLAR or fraud, they are not required to perform procedures to identify such circumstances, or even to remain alert for them, as would be applicable in an audit or assurance engagement, as this is not a risk-based standard. • It would be helpful to elevate the consideration of the extent of the need for use of professional judgement as part of determining whether the pre-conditions for an AUP engagement have been met – i.e. the more a procedure requires professional judgement, the more judgement will be needed to describe it objectively, and therefore as described at A16, the less likely it will be that an AUP engagement is appropriate. • Related to this is the consideration of resources – the more senior, or the more expert the resources need to be, the more this points away from an AUP engagement. We note that the description of the value of the engagement, at paragraph 4, 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 	<p>No additional comments</p> <p>The ATG considers that Bullet points 4 and 5 and dealt with in application material paragraphs A15/A16.</p>	<p>Y</p>
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		<p>experience of the practitioner, and 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.</p> <ul style="list-style-type: none">• It would also be helpful to describe the granularity of description of findings as an example of application of professional judgement.		
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	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
3	Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?	<p>We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement. This allows for much broader use of this style of engagement which reflects current demand in the Australian market.</p> <p>When performing an agreed-upon procedures engagement for an audit or assurance client, the practitioner has strict independence requirements to comply with so in many cases, a practitioner will already be independent.</p> <p>We agree that where required by regulation or contract, the practitioner would apply an independence requirement as a pre-condition for acceptance of the engagement and should include their independence disclosure in the report so long as the regulation or contract was clear on how the practitioner would make this determination or assessment. It would also be helpful to further emphasise the need to disclose clearly the criteria used by the practitioner to assess independence, if relevant, since these may be drawn from various sources.</p> <p>Furthermore, this may be an area where exercise of professional judgement is required – as such, it may be helpful to include this as a specific example of professional judgement.</p>	There are mixed views on this topic, the draft AUASB submission has been done giving 2 options of response. – for AUASB discussion and consideration	N
4	What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements	<p>We believe that it's not clear in ED-4400 what would determine whether the practitioner is required to be independent or how that determination would be made.</p> <p>We disagree with the requirement to state that you are not independent in circumstances in which there is no requirement to be independent.</p>	No further comment	Yes

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.	Readers of the report will often not appreciate the subtle difference between objectivity (which is always required) and independence. If the report includes a statement that the practitioner is not independent, even though independence is not required, many readers will instantly discount the value of the report even though to do so is inappropriate and unnecessary.		
5	Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?	<p>Findings is a challenging word as this is often used in a consulting or advisory service context where professional judgement and expertise has been applied.</p> <p>KPMG Australia has historically used the phrase “factual findings” in accordance with the title of ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings.</p> <p>The fact that the phrase “findings” has to be defined in the ED as “findings that are the factual results of procedures performed” suggests that use of the adjective “factual” is a key part of the definition. As a result, the phrase “factual results” or “factual findings” appears to be fit for purpose.</p> <p>It is relevant to note that ASRS 4400 doesn’t define the phrase “factual findings” as the definition implies what type of findings they are.</p> <p>The “findings” definition in ED-4400 has also specified that “findings” does not refer to any recommendations that the practitioner may make.</p>	No further commentary	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>These additional explanations by their nature imply that there could be confusion over the term “findings”.</p>		
6	<p>Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?</p>	<p>We are generally supportive of the requirements and application material regarding engagement acceptance and continuance as extant ISRS 4400 only sets out requirements and guidance dealing with the terms of the engagement. Extant ISRS 4400 does not contain any requirements or application material on conditions required to be met before the practitioner can accept an AUP engagement so ED-4400 is an improvement; however, the standard is silent on the practitioner’s consideration of whether an assurance engagement may be required.</p> <p>We believe that more should be done to differentiate an AUP engagement from an assurance engagement 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.</p> <p>ASRS 4400 addresses this well. ASRS 4400 paragraph 7 and 21 repeatedly talk about the practitioner’s responsibilities to ensure that agreed-upon procedures is the best fit for the needs of the client and to apply judgement to consider whether an assurance engagement is required. This pre-condition of consideration of whether the engagement should be assurance is articulated in paragraph 7 (b) and (d) as well as four more explicit mentions in paragraph 21 (a), (b), (d) and (f).</p> <p>ED-4400 is silent on whether assurance should be required or not. Introducing pre-conditions to consider this matter up front would assist in consistent application and introduce a boundary of where the use of AUP is appropriate.</p>	<p>Many of the suggestions as provided have been included in the draft submission.</p>	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>It is important that AUPs not be offered as a “cheaper assurance” alternative that also does not require independence so as to devalue the assurance offering. AUPs have a clear place in the market and there is professional judgement required to make choices about appropriate acceptance of engagements that do not cause any further confusion about the nature of this service.</p> <p>It’s also helpful to have the engaging party and any other intended users acknowledge their understanding and agreement of this but we agree with ED-4400 that this acknowledgement is not always practical to obtain from intended users.</p> <p>A simple solution could be to apply the concept in paragraph 21 of ASRS 4400 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.</p> <p>The standard could also benefit from an introduction similar to 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.</p>		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>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.</p> <p>Engaging party’s acknowledgement</p> <p>We are 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.</p> <p>It would be helpful to guide practitioners to obtain a statement from the engaging party that to the “best of their knowledge and belief”, or similar, 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. It is also unclear as to the expected further actions of the</p>		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>practitioner if they do not hear back from the intended users, or if there is disagreement between the engaging party and the intended user.</p> <p>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.</p> <p>For example, paragraph 21 (e) of 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).</p> <p>We also note 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</p>		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>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.</p> <p>The standard also acknowledges that the engaging party may not be the party that is responsible for the subject matter information, or for the underlying subject matter. It would be helpful for the standard to provide more guidance around such situations, such as assessing the reliability of information and explanations, as well as consideration as to whether the practitioner will have access to information and explanations, as part of the preconditions, and additionally, whether the practitioner believes there is a rational purpose to the engagement.</p> <p>Lastly, in addressing agreement to the terms of the engagement at paragraph 22, it would be helpful to include acknowledgement by the engaging party to provide information and explanations as required by the practitioner, and unrestricted access to persons at the entity. Although the procedures are clearly defined and agreed, it is still important that the engaging party acknowledges upfront that they need to provide information and access to the practitioner so that the practitioner can perform the procedures.</p> <p>Terminology</p> <p>We are supportive of the examples of potentially inappropriate terminology and guidance on the steps a practitioner may take i.e. A22-A26.</p> <p>We also suggest including clearer links to the application of professional judgement in determining whether procedures are capable of being</p>		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		performed and described objectively, as well as in determining the level of granularity appropriate/ necessary in the description of procedures, both in agreeing the scope 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 judgement in describing the procedures and findings where the nature and scope of the procedures are well understood by users.		
7	Do you 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?	<p>We recognise that the IAASB has attempted to introduce concepts in this area from auditing and assurance standards, to improve the understanding of the practitioner’s responsibilities in this area.</p> <p>However, we have concerns about the applicability of this concept to an AUP engagement. We note that experts (in matters other than auditing and accounting) may be used by an auditor in performing an audit but we believe this is less likely in an AUP engagement in which the practitioner is executing procedures over specific subject matter information.</p> <p>If the practitioner does not have sufficient expertise in the underlying subject matter then it may not be appropriate for them to accept the AUP engagement. See also our comments earlier regarding the collective competence and capability of the engagement team and the fact that procedures must be capable of being performed objectively, should be capable of replication and the same findings obtained.</p>	The ATG have not included this view in the draft submission, as this is a contrary view to other feedback received. Additionally, the use of experts is already contemplated in the extant ASRS 4400 and the ATG consider this to be current practice in Australia– for AUASB discussion and consideration.	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>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, 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.</p> <p>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.</p>		
8	<p>Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?</p>	<p>We are generally supportive of the AUP report not being restricted to parties who have agreed to the procedures to be performed as this aligns to local market demand. As recognised by the IAASB’s Exposure Draft, it is sometimes difficult to obtain agreement from all intended users.</p> <p>A43 allows for a practitioner to apply a restriction of use should they wish to do so. We support the practitioner having the ability to make their own decisions on use and distribution of the report and the conditions that they may choose to accept based on their risk appetite.</p> <p>We note that there is an expectation gap regarding public perceptions as to what an AUP engagement is, what the procedures constitute and whether or not “assurance” is imparted. As a result, it would be helpful for the IAASB to provide further guidance as to the practitioner’s responsibilities to the intended users, in particular, for situations where there may be a lack of clarity as to whether intended users understand/agree on the procedures and/or the purpose of the engagement, as well as in situations where the report will be made more widely available, e.g. on a website, and therefore it is more difficult to</p>	<p>The KPMG and EY submissions have a different perspective to that received from other submissions and the feedback received from stakeholders on the webinar Accordingly, the draft AUASB submission has been done on the basis of an expectation of a restriction of use para which would be required if modified independence was allowed. – for AUASB discussion and consideration.</p>	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>identify the “intended” users or user groups, or to consider the needs of all user groups.</p> <p>We also highlight that the statement that the report may not be suitable for another purpose is derived from ISA 800, in which the equivalent requirement is to include an Emphasis of Matter paragraph. Whilst such a paragraph would not be appropriate in an AUP report, as no opinion/conclusion is provided, it would be helpful for the standard to emphasise that the statement must be sufficiently prominent, e.g. to include a heading, and language that makes clear that this is a “warning”.</p>		
9	Do you support the content and structure of the proposed AUP report as set out in paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?	<p>We are generally supportive of the content and structure of the proposed AUP report; however, it does not seem practical to require the practitioner to include a statement on independence when independence is not a requirement of the standard nor the engagement.</p> <p>As stated above, readers of the report will often not appreciate the subtle difference between objectivity (which is always required) and independence. If the report includes a statement that the practitioner is not independent, even though independence is not required, many readers will instantly discount the value of the report even though to do so is inappropriate and unnecessary.</p> <p>Our preference would be to only include a sentence on the practitioner’s assessment of independence in the report, including the criteria the practitioner used in the assessment, where independence is a requirement of the engagement.</p>	No further comment	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>We believe for clarity the practitioner should identify and make clear who the intended users of their report are and to restrict other parties from inadvertently relying on the report when it may not be appropriate to do so. It also makes it clear from a legal perspective to whom the practitioner owes a duty of care. This would also provide a clear boundary for the practitioner’s responsibilities.</p> <p>We suggest to include identification of any procedures agreed in the terms of the engagement that could not be performed and why that has arisen.</p> <p>It would be helpful to indicate in the guidance that there should be no inclusion of a management response to the practitioner’s factual findings. Any management commentary on the practitioner’s report should be made completely separate from the AUP report of factual findings.</p>		
10	<p>In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:</p> <p>e) Translations— recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues</p>	No issues to note.	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>respondents note in reviewing the ED-4400.</p> <p>f) Effective Date— Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable.</p>			

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EXHIBIT 4:

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
1	Has ED-4400 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?	We believe that ED-4400 has been modernised and is a better fit to the current needs of stakeholders than the extant ISRS 4400, however the standard could benefit from further clarification in certain areas – refer below.	No additional comments	Y

<p>2</p>	<p>Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?</p>	<p>No, we do not believe that the definition of professional judgment or the discrete requirement to apply professional judgment appropriately reflects the role professional judgment plays in an AUP engagement.</p> <p>The execution of procedures in an AUP engagement should not involve professional judgment. We believe that including a definition, as well as a requirement to apply professional judgment in “conducting the engagement”, has the unintended consequence of conveying the exact opposite (i.e., that professional judgment is required in performing the procedures). We therefore believe that both the definition of professional judgment and the requirement in paragraph 18 should be removed from ED-4400.</p> <p>We however agree that professional judgment is applied in various aspects of an AUP engagement. In particular, professional judgment can be critical to engagement acceptance decisions (i.e., to make the judgments required by paragraphs 20(b) and 21 of ED-4400). We also agree with the other examples in paragraph A15 of when professional judgment may play a role. Instead, our disagreement is with the approach taken to require the application of professional judgment holistically for the entire engagement. The meaning of the qualifier of “taking into account the circumstances of the engagement” is not clear and likely subject to misinterpretation. We believe a better approach, which would be less prone to the unintended consequences we have described, is to specifically emphasize the role of professional judgment in the application material where its application is of most relevance and importance. For example, we believe that the application material in paragraph A16 is most relevant, and would be better placed, to support the requirement in paragraph 20(b) related to engagement acceptance.</p> <p>We would not oppose an overarching statement in the introduction or application material of ED-4400 that explains that professional judgment is applied in determining whether to accept AUP engagements and in determining certain courses of action during the engagement. However, such a statement should be contrasted with the fact that an AUP</p>	<p>No additional comments</p>	<p>Y</p>
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		engagement involves performing procedures that are required to be objective in nature such that different practitioners performing the same procedures are expected to arrive at the same findings.		
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This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
3	Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?	<p>Yes, we agree with not including a precondition for the practitioner to be independent when performing AUP engagements.</p> <p>Notwithstanding the fact that independence may not be required by the relevant ethical requirements, we agree that the practitioner’s independence may be required or expected as a term of the engagement. For the avoidance of doubt, we believe that the terms of the AUP engagement should be required to include the status of the practitioner’s independence using wording consistent with the statement about the practitioner’s independence that will be included in the AUP report (refer to the Other Matters section of our letter for further comments).</p>	There are mixed views on this topic, the draft AUASB submission has been done giving 2 options of response. – for AUASB discussion and consideration.	N
4	What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so,	<p>First, we find the table in paragraph 22 of the EM to be clearer than the standard in regard to the possible independence scenarios and the required reporting for each of the scenarios. In particular, it is not helpful that the independence reporting requirements are split between paragraph 30(f) and 30(g), which makes it difficult to understand how the requirements are expected to be actioned together.</p> <p>When the practitioner is independent, we are supportive of the new requirement for the practitioner to include a statement in the AUP report asserting their independence and the basis therefor. We strongly believe that independence should not be asserted without also including the underlying basis, as the basis may vary depending on the relevant ethical requirements in the jurisdiction or the terms of the engagement. However, we do not agree with the proposals that address reporting</p>	No further comment	Yes

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>why and what disclosures might be appropriate in the AUP report in this circumstance.</p>	<p>about the practitioner’s independence when the practitioner is not required to be independent and is not prepared to assert their independence voluntarily. The paragraphs that follow explain our rationale.</p> <p>When independence is not required by the relevant ethical requirements or by the terms of the AUP engagement, we agree that the practitioner should not be required to make an independence determination. We have this view not only because of the complexity that may be involved in making a determination of independence, but also because, in these circumstances, the independence requirements that the practitioner is to measure their independence against may not be known or defined.</p> <p>In particular, the IESBA Code of Ethics does not define independence in the context of an AUP engagement. Accordingly, when the IESBA Code of Ethics comprises the relevant ethical requirements for an AUP engagement, we do not believe that it would be appropriate for the practitioner to be required or otherwise expected to make an independence determination. For the same reasons, we also do not believe it is appropriate for the practitioner to make a determination that they are “not independent”. For example, under the IESBA Code of Ethics, it is possible for the practitioner to be independent in accordance with the requirements for assurance engagements but not independent in accordance with the requirements for audit engagements. Whether the practitioner is expected to disclose that they are “not independent” in these circumstances is not clear.</p> <p>In regard to the reporting requirements when independence is not required for the AUP engagement (and the practitioner is not voluntarily</p>		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>asserting their independence), we believe that the proposal to simply require a statement that “the practitioner is not required to be independent” is subject to misinterpretation by users. This statement will inappropriately allow users to make their own assumptions about the status of the practitioner’s independence. It is unreasonable to expect a user to understand the reporting scenarios in ED-4400 and know that, if the practitioner was independent, the AUP report would have an explicit statement to this effect. At a minimum, we believe that the statement that “the practitioner is not required to be independent” needs to be clarified and enhanced to avoid the possibility of users inappropriately assuming the practitioner is independent.</p> <p>Our recommendation is to expand the required statement in the AUP report to be “the practitioner is not required to be independent and the practitioner does not make any assertions regarding their independence”. We are further recommending that this requirement also replace the extant and ED-4400 requirement for the practitioner to disclose that they are “not independent”. Our rationale is as follows:</p> <ul style="list-style-type: none"> • Our suggested requirement will result in a consistent statement in the AUP report when independence is not required • We believe the wording we have suggested will more explicitly convey to users that they cannot make any assumptions about the practitioner’s independence • The requirement to disclose when the practitioner is “not independent” is not capable of being consistently applied 		

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		without an explicit basis in the standard or in relevant ethical requirements against which this determination is to be made		
5	Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?	Yes, we agree with the term “findings” and the related definitions and the application material contained in the standard.	EY and PWC have this view the remainder of feedback does not agree, accordingly this comment has not made its way into the draft submission.	N
6	Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?	<p>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).</p> <p>In regard to paragraph 21, we believe 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. 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.</p>	Comments noted in relation to EER, as noted by EY guidance is being developed to support such assurance engagement. Where 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, the requirements of the AUP standard still need to be followed.	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		As the IAASB finalizes ED-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.		
7	Do you 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?	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:”	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
8	Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?	<p>We agree with the removal of the requirements to restrict the report and to leave the determination of whether restrictions are necessary to the practitioner in the circumstances of the engagement. However, we do not believe the application material in paragraph A43 is sufficient or useful to assist the practitioner in determining whether restricting the report is appropriate in the circumstances of the engagement. We believe a restriction may be appropriate when the practitioner believes there is a greater risk for users other than the intended users to:</p> <ul style="list-style-type: none"> • Misunderstand the agreed-upon procedures or the purpose of the engagement • Interpret the findings as providing assurance. <p>In these cases, it is likely in the public interest to restrict the use or distribution of the report.</p> <p>It would also be useful to indicate in the application material that any report restrictions may be specified in the terms of the engagement or communicated to the engaging party through other means. However, it is important not to imply that restricting the report is subject to negotiation with the engaging party. It is the practitioner’s decision whether to restrict the use or distribution of the report.</p>	The KPMG and EY submissions have a different perspective to that received from other submissions and the feedback received from stakeholders on the webinar Accordingly, the draft AUASB submission has been done on the basis of an expectation of a restriction of use para which would be required if modified independence was allowed. – for AUASB discussion and consideration.	N
9	Do you support the content and structure of the proposed AUP report as set out in paragraphs 30-32 and A37-A44 and	We generally support the content and structure of the proposed AUP report. Our biggest concern relates to the required statements about the	For the most part, these comments have been included in the draft submission. The ATG	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?</p>	<p>practitioner’s independence when the practitioner is not required to be independent as expressed in our response to Q4.</p> <p>We have the following further comments and suggestions for clarifications to the requirements, application material or illustrations:</p> <ul style="list-style-type: none"> • Paragraph 30(b) requires “an addressee as set forth in the terms of the engagement” however there is no further clarification on who the addressee should be. Given that under ED 4400 only the engaging party is required to acknowledge the appropriateness of the procedures, should consideration be given as to whether an intended user other than the engaging party may be included as an addressee? • Paragraph 30(c): “Subject matters” should be singular. • Paragraph 30(f): <ul style="list-style-type: none"> ○ Paragraphs 30(f) and 30(g) should be moved to before paragraph 30(e) so that the ordering of the requirements mirrors the ordering of the statements in the illustrative reports. ○ It would be helpful if paragraph 30 (f)(i) had application material that describes the meaning of “basis”. This could be achieved by referencing or using the examples in paragraph A13 (e.g. national ethical codes, laws or regulations, the firm’s policies and procedures or the terms of the engagement). ○ Similarly, we suggest including application material to explain what “other reasons” in paragraph 30 (f)(i) may include. 	<p>do not agree with the suggestion of expanding paragraph 30(i) to require the description of procedures to include materiality limits, if applicable. The practitioner does not apply materiality to the design or performance of procedures or in assessing the factual findings.</p>	

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<ul style="list-style-type: none"> ○ The requirement in paragraph 30(f)(i) does not require a statement that the practitioner is required to be independent; however, Illustration 1 of the AUP report includes the phrase “The terms of our engagement require us to be independent...”. We suggest removing the first phrase of the statement in Illustration 1 so that the statement in the illustration aligns to the requirement. ● Paragraph 30(i) <ul style="list-style-type: none"> ○ We suggest expanding paragraph 30(i) to require the description of procedures to include materiality limits, if applicable. ○ It may be useful to require or acknowledge in the application material that when circumstances impose restrictions on the performance of the procedures (and those restrictions are considered appropriate), the restrictions are described in the AUP report. For example, when the agreed-upon procedures are set forth in regulation and a procedure is not applicable in the circumstances of the particular engagement, the practitioner may describe the reason that the procedure was not performed in the AUP report. 		
10	<p>In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:</p> <p>g) Translations—recognizing that many</p>	No issues to note.	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-4400.</p> <p>h) Effective Date— Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the</p>			

Comments and Disposition on Consultation Paper

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	approval of the final ISRS and the effective date is practicable.			
	Other Matters	Refer to Appendix 1 to this Comments and Disposition Paper for Other comments	Refer Appendix 1	Some

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EXHIBIT 5:

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
1	Has ED-4400 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?	Subject to our comments in response to the questions hereafter, we believe the proposed revisions represent an appropriate response to the public interest issues identified in relation to the conduct of an agreed-upon procedures (AUP) engagement. We are pleased to note that the IAASB has included many of the aspects that were taken into account when the AUASB previously revised ASRS 4400 to address stakeholder and public interest issues.	No additional comments	Y

<p>2</p>	<p>Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?</p>	<p>We agree that a level of professional judgement is required in undertaking an AUP engagement and broadly support the proposed revisions to address this topic within the standard, including the specific examples used to illustrate where judgement is applied. In performing the procedures, once agreed, the practitioner applies due care and competence in performing them, <u>but the need to apply professional judgment is likely to be limited.</u> As the practitioner reports findings only, we agree with the proposal in the Exposure Draft that it is important that the agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretation. Otherwise, there is a risk that users might draw unwarranted assurance. This will restrict the nature of procedures to those where there is less professional judgment involved in performing it or reporting the findings. <u>We believe the intent of paragraph A16 is to recognise that there may be limited judgement necessary in some circumstances. However, we believe a final sentence could be added that would more directly explain that a procedure that requires the exercise of more than a limited amount of professional judgement in performing it or in analysing the results thereof is unlikely to meet the engagement acceptance and continuance pre-conditions. An example to illustrate may also be useful.</u></p> <p>Perhaps the most common application of professional judgement by practitioners is in assisting in the design of the procedures performed. Users may not know what procedures can be performed and the type of findings that would be reported. Therefore, the practitioner often works with the user to help design an appropriate AUP engagement that meets their needs, and that achieves the precondition that the procedures are described objectively and not using potentially misleading terminology. In doing so, it remains critical that the engaging party (and any additional intended users) ultimately takes responsibility for the appropriateness of the procedures. We therefore support the precondition in paragraph 20(a) that directly addresses obtaining acknowledgment from the engaging party of this responsibility.</p>	<p>PWC broadly supports the revisions and is the only respondent to suggest a limited professional judgement is required in the conduct of procedures and considers the proposed standard to be drafted as such. As such the draft submission has not taken these views into account.</p>	<p>N</p>
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	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
3	Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?	<p>Yes. We consider the proposals to be a pragmatic and transparent solution, recognising the inherent challenges in addressing ethical considerations that are ultimately a matter for IESBA to consider in the Code of Ethics.</p> <p>Recognising the spectrum of AUP engagements that exist, we believe IESBA could usefully articulate its views on whether there are engagement circumstances, taking into account the nature of the AUP engagement and the intended users of the AUP report, when the practitioner should be required to be independent. For example, independence may be seen as more relevant, and in the public interest, in relation to engagements to report to a regulator in relation to the use of public funds. In other cases, such as a private report to management, management or those charged with governance can more readily assess the importance of the practitioner’s independence based on their understanding of the engagement circumstances.</p> <p>Absent any direct legal or ethical requirement, the practitioner and the engaging parties can agree, within the terms of the engagements, whether independence is a necessary precondition.</p>	There are mixed views on this topic, the draft AUASB submission has been done giving 2 options of response. – for AUASB discussion and consideration.	Y
4	What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the	With respect to the required statement in the AUP report, we agree in principle. However, without being able to link back to specific IESBA independence requirements, the proposed independence statement in the report may become confusing to users, as inconsistencies in how the requirements are applied in practice and included within the AUP report may arise. We believe that it would be useful to provide an explanation and illustration of how the basis for the practitioner’s statement may be articulated.	No further comment	Yes

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.	<p>We also agree that, in the circumstances when the practitioner is not required to be independent, there would be no reasonable grounds on which to require the practitioner to make a formal assessment of their independence.</p> <p>AUP engagement contacts can often be entered into with multiple parties. For example, a funding bank and entity in receipt of such funding, or a government granting authority and the entity in receipt of such grant. We recommend that the proposed standard provide clarity with respect to independence considerations and the proposed statement within the AUP report as to which entity(ies) this specifically applies when there are multiple “engaging parties”. For example, we do not believe the intent is to address the practitioner’s independence of any third-party engaging party such as a bank.</p> <p>See also our response to question 3 regarding the requirement for an independence assessment.</p>		
5	Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?	Yes. We understand the reason for the inclusion of paragraph A11. To provide some context we suggest it may be helpful to add “pursuant to local law, regulation or practice”.	EY and PWC have this view the remainder of feedback does not agree, accordingly this comment has not made its way into the draft submission.	N
6	Are the requirements and application material regarding engagement acceptance and continuance, as set out in	Yes. 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 believe that any intended users other than the engaging party should also acknowledge the	The ATG notes that PWC is the only respondent to consider that intended users should also	N

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	paragraphs 20-21 and A20-A29 of ED-4400, appropriate?	<p>appropriateness of the planned procedures (in a similar manner to paragraph 22 of ASRS 4400).</p> <p>We also welcome the additional guidance on terminology intended to drive clear and specific procedures and findings that are not open to varying interpretation.</p>	acknowledge the appropriateness of planned procedures. As such this view has not been expressed in the draft submission.	
7	Do you 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?	<p>Yes. The proposals, based on the underlying principles when using an expert in an audit, are pragmatic and reasonable. It is important 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 use of a practitioner’s expert does not change this condition and we believe it may be useful to incorporate this message in the application material. The expert applies their competence and capabilities but is not being engaged due to the subject-matter requiring subjective interpretation. We therefore also support the proposed changes to the AUP report with respect to the practitioner’s overall responsibility for the procedures to be performed.</p> <p>We 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.</p>	No other points to note	Y
8	Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures	We believe that there should be a distinction drawn between use of the report and distribution of the report. We support the current requirement in ASRS 4400 that restricts the use of the report to the engaging party	No other points to note	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?	and any other intended users who have agreed to the procedures being performed and for the purpose for which it was prepared. Restricting the distribution of the report to any other party is ultimately a risk management decision for the practitioner.		
9	Do you support the content and structure of the proposed AUP report as set out in paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?	We support the proposed requirements in relation to the practitioner’s report. We have no substantive comments on the proposed structure and content of the AUP report, noting that this is often prescribed in law or regulation resulting in more bespoke reports.	No further comment	Y
10	In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below: i) Translations— recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-4400.	No issues to note.	No additional comments	Y

	Question	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
	<p>j) Effective Date— Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable.</p>			

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Appendix 1: Other comments received from stakeholders not specifically linked to Consultation Questions

	Topic	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
EY	Agreeing the Terms of Engagement	<p>We have the following suggestions for enhancing the requirement in paragraph 22 relating to the agreeing the terms of an AUP engagement:</p> <ul style="list-style-type: none">We suggest combining paragraph 24 with paragraph 22 and rewording paragraph 22 to be “The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party and record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. These terms shall include the following:”	<p>Only one stakeholder has raised this and accordingly this has not been actioned in the draft submission.</p>	N
		<ul style="list-style-type: none">As we express in our response to Q4, we believe the terms of engagement should be required to include the status of the practitioner’s independence using wording consistent with the statement about the practitioner’s independence in the AUP report; we recommend updating paragraph 22(d) accordingly.	<p>To be determined after AUASB deliberations on this matter</p>	N
		<ul style="list-style-type: none">We suggest expanding the requirement in paragraphs 22(f) to require the description of procedures to include materiality limits, if applicable.	<p>Not agreed by ATG. The practitioner does not apply materiality to the design or performance of procedures or in assessing the factual findings.</p>	N

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

	Topic	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		<p>We note that there is no supporting application material for the requirement in paragraph 22. We have the following suggestions for guidance:</p> <ul style="list-style-type: none"> As we express in our response to Q8, we believe that if the practitioner intends to restrict the use or distribution of the report, this intention may be specified in the terms of engagement. In fact, if the practitioner has made the decision to restrict the report at the time the terms of engagement are agreed, we believe that the IAASB should consider requiring the restriction to be included in the terms of the engagement. 	Comments regarding use vs distribution included in draft submission in Q8.	Y
		<ul style="list-style-type: none"> It would be useful to be provide guidance about the effect on the terms of the engagement when the responsible party is different from the engaging party. 	Only one stakeholder has raised this and accordingly this has not been actioned in the draft submission.	N
		<ul style="list-style-type: none"> The illustrative engagement letter in Appendix 1 is for a scenario where the engaging party is also the intended user. We suggest this illustrative letter accommodated a scenario where there is an intended user other than the engaging party and the AUP report will have a restriction of use paragraph. 	Only one stakeholder has raised this and accordingly this has not been actioned in the draft submission.	N
		<ul style="list-style-type: none"> We suggest application material to paragraph 22(f) to clarify that the nature, timing and extent of procedures are typically 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 judgment in determining or modifying the procedures to be performed. This could be a way to appropriately reinforce that the execution of the procedures should not require the use of professional judgment in an AUP engagement. 	Comes through in Q2 of submission.	Y

	Topic	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		In addition, it is our view that the requirement in paragraph 23 to update the terms of the engagement when procedures are modified during the course of the engagement is unnecessarily restrictive. While we agree that updates to procedures should be agreed in writing, there should be flexibility in the form of the documentation that is acceptable for the purpose of agreeing modifications to the procedures. We believe amending the terms of the engagement, specifying the changes in the letter of representations or using another appropriate written format may all be acceptable forms of documentation for such changes. In particular, it should be permissible to obtain the engaging party’s agreement to modifications to procedures through the use of a letter of representations.	Application material A30 already allows this.	N
EY	Performing the AUPs	We believe the requirement in paragraph 26 is incomplete as it does not retain the extant requirement to “use the evidence obtained as the basis for the report”. We recommend expanding the requirement in paragraph 26 to include “and obtain evidence as the basis for the findings in the agreed-upon procedures report”. We also believe the practitioner should be required to capture all findings and include all findings in the report. This could be a way to appropriately reinforce that the execution of the procedures should not require the use of professional judgment in an AUP engagement, including that the practitioner should not judgmentally exclude any findings.	Requirement 30(j) considered sufficient.	N
EY	Letter of Representation	We support not requiring a letter of representations and leaving this to the judgment of the practitioner in accordance with paragraph 27. However, we believe that additional guidance is needed to assist the practitioner’s consideration of whether a letter of representations is necessary, including examples of circumstances when a letter of representation may be appropriate to	Application material A34 addresses this.	N

	Topic	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
		obtain. For example, if a procedure is performed that involves selecting a sample from a population, it may be appropriate to obtain a representation that the population provided to the practitioner by the responsible party is complete and accurate. (See also our comment above regarding the use of the letter of representations to agree modifications to the procedures performed). Paragraph A34 provides an example of obtaining a representation “that the engaging party has disclosed to the practitioner its knowledge of identified or suspected fraud or non-compliance with laws and regulations”. Further clarification should be provided on whether the practitioner should ordinarily obtain such a representation.		
EY	Awareness of facts or circumstances that suggest procedures are inappropriate during course of engagement	During the course of the engagement, the practitioner may become aware that the procedures or related findings are not appropriate for the purpose of the engagement, are misleading or cannot be described objectively such that the pre-conditions of the engagement are called into question. We believe a requirement, or at least application material, should be added to ED-4400 to require or encourage the practitioner to discuss the matter with the engaging party and take appropriate action in the circumstances.	Only one stakeholder has raised this and accordingly this has not been actioned in the draft submission.	N
EY	Misleading / Assurance-centric words and expansion of application guidance on the procedures themselves	Paragraph A23 provides misleading words to avoid. We suggest including additional terms that may be misleading such as “evaluate”, “ascertain”, “assess”, “examine”, “determine” and “verify”. We would like to suggest adding clarification around the role of sampling and selection criteria in agreed upon procedures engagements. Furthermore, we would like to see additional application guidance such as examples of appropriate and inappropriate description of findings for a suite of theoretical agreed upon procedures.	Only one stakeholder has raised this and accordingly this has not been actioned in the draft submission.	N

	Topic	Respondent Comment – summarised where appropriate	ATG Commentary	Comment included in draft submission to IAASB Y/N
EY	Additional Acceptance Criteria for non-Financial Subject Matters	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.	19(b)(i) addresses this.	N