



The Chair
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007

11 May 2020

Dear Prof Simnett

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

We appreciate the opportunity to comment on the above mentioned Exposure Draft.

We support the proposed standard and have included our responses to the specific questions included in the Request for Comment in the Appendix to this letter.

We would be pleased to discuss our comments with you. Please contact me on (03) 8603 3285 or Avril Trent on (02) 8266 8097 should you require any further information.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Valerie Clifford', with a large, sweeping flourish underneath.

Valerie Clifford
Assurance Risk & Quality Partner



Appendix

Response to the Request for Comments questions: ED 01/20

1. Do stakeholders support ED1/20 not requiring independence for an AUP engagement? If not, why not?

We support the proposed standard not requiring independence for an AUP engagement, as these engagements do not provide any assurance, and should therefore not broadly require a higher level of independence than other non-assurance engagements.

In our experience, AUP engagements specifically requiring independence of the practitioner are quite rare.

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

No, for the reasons referred to in question 1 above.

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

None noted.

4. If stakeholders do not support ED01/20 not requiring independence for an AUP engagement, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of the EM) to modify ED01/20 (based on revised ISRS 4400)?

Not applicable.

5. Do stakeholders support ED01/20 with the AUP report including statements addressing circumstances when the practitioner is or is not required to be independent? If not, why not?

Yes, we support the statement being included in the AUP report. In the majority of engagements where independence is not required, making a statement in the report that no independence is required provides clarification to the user and is consistent with the statement in the report that no assurance is provided in the engagement.



Where independence is required or it has been agreed, it is useful to draw attention in the AUP report to the reason for that independence requirement and to link to what the relevant independence requirements are.

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

Not applicable.

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

None noted.

- 8. If stakeholders do not support ED01/20 with the AUP report required to include statements addressing circumstances when the practitioner is or is not required to be independent, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of the EM) to modify ED01/20 (based on revised ISRS 4400)?**

No compelling reasons identified.

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

We support ED01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed for the following reasons:

- The approach provides more flexibility for circumstances where it is impractical to obtain the agreement for the procedures to be performed from all parties (other than the engaging party) upfront;
- The ED still provides the option of including a restriction in use where the practitioner believes there is a need for such restriction;
- The ED also provides the option of requiring parties other than the engaging party to agree both the procedures to be performed and to confirm that the procedures are appropriate for the purpose of the engagement;
- In addition, the report includes:
 - A full description of the procedures that have been performed;



- A statement that the engaging party (and other parties, where relevant) have acknowledged that the procedures are appropriate for the purpose of the engagement;
- A statement that the practitioner makes no representation on the appropriateness of the procedures.

In practice, AUP reports are very often required to be shared/used by parties who have not agreed the procedures upfront. The approach in the ED therefore provides adequate flexibility to the practitioner in these circumstances.

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

No. For the reasons described in question 9 above, we believe that the more flexible approach is preferable.

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

None noted.

12. If stakeholders do not support ED01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of the EM) to modify ED01/20 (based on revised ISRS 4400)?

Not applicable.

13. Do stakeholders support the way in which the exercise of professional judgement is dealt with in ED01/20? If not, why not?

We agree with the way in which professional judgement is dealt with in the ED. In particular, the examples provided of how professional judgement would be applied during the various phases of the engagement are very useful.



In addition the AUASB is also interested in stakeholders views on:

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

None noted

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

None noted

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

None noted

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

- a) **Where those costs are likely to occur;**
- b) **The estimated extent of the costs, in percentage terms (relative to audit fee); and**
- c) **Whether expected costs outweigh the benefits to the users of audit services?**

No significant additional costs expected as a result of the proposed amendments.

- 18. Are there any other significant public interest matters that stakeholders wish to raise?**

No additional matters to raise.