

# Supplement B to Agenda Item 5

## RESPONSES RECEIVED ON THE DISCUSSION PAPER

### EXPLORING THE DEMAND FOR AGREED-UPON PROCEDURES ENGAGEMENTS AND OTHER SERVICES, AND THE IMPLICATIONS FOR THE IAASB'S INTERNATIONAL STANDARDS

#### COMMENTS TO QUESTION 1

**Note:** This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the November 2016 Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards* and related analyses of significant issues are presented at the [September 2017 IAASB meeting](#). All comment letters on the Discussion Paper can be accessed [here](#).

**Q1.** Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. However, the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. Is this consistent with your views on the role of professional judgment in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?

#	Respondent	Comments
<b>Those Charged with Governance</b>		
1.	IIA SA	We concur that AUP engagements should result in objectively verifiable findings.
<b>Regulators and Oversight Authorities</b>		
2.	EUROPEAN COMMISSION	The professional judgement in AUP engagements should be limited to professional competence and due care. The present situation is clear and comfortable, with an appropriate different set of standards responding to different needs. The AUP engagements should be designed to avoid indeed subjective opinions. No clear reason for change can be identified.
3.	IRBA	1.1. Yes, we support the view that professional judgment has a role in an AUP engagement since the practitioner has to apply his/her professional judgment in determining whether the procedures requested to be performed meet the objectives of the AUP engagement; and also in respect of evaluating the quality of the evidence obtained.

		<p>1.2. The proposal to include guidance relating to professional judgment in the introduction section of the standard will help in clarifying these responsibilities and will also have an impact on the quality of evidence obtained by the practitioner (for example identifying false evidence).</p> <p>1.3. The developments related to professional skepticism, both from the IAASB's own project as well as work done by the other standard setting boards will be of relevance to this project.</p>
<b>National Auditing Standard Setters</b>		
4.	AASB-CNAC	<p>The AASB strongly supports the premise that procedures in an AUP engagement should result in objectively verifiable factual findings and that professional judgment is exercised only in the context of professional competence and due care. This premise creates a clear distinction between an AUP engagement and an assurance engagement. In our view, a clear distinction between AUP and assurance engagements is vital to avoid misleading users as to the nature and extent of the practitioner's involvement with the subject matter of the engagement. Canadian stakeholders have also informed us that this premise is consistent with their understanding of the nature of, and the role of professional judgment in, an AUP engagement.</p> <p>The use of professional judgment in an AUP engagement is a complex subject. Further examples of the use of professional judgment consistent with the premise indicated above would help to clarify the role of professional judgment in an AUP engagement. In addition to the examples set out in paragraph 12 of the Discussion Paper, the IAASB may wish to consider the following:</p> <p>Professional judgment when becoming aware of indications of possible fraud</p> <ul style="list-style-type: none"> <li>• There may be circumstances when the practitioner becomes aware of indications of possible fraud. For example, when performing AUP on certain documents, the practitioner may become aware of a document that appears to be tampered with. In such cases, exercising professional judgment in the context of professional competence and due care means that the practitioner would take further actions to avoid being associated with false or misleading information.</li> </ul> <p>Professional judgment in selecting samples</p> <ul style="list-style-type: none"> <li>• There may be circumstances when a regulator may require AUP to be performed on trust account expenditures for any one month during the year. The regulator does not specify which month is to be selected. In most cases, the practitioner may select the month (and specify the month selected in the AUP report) since the user has accepted responsibility that the AUP performed on any one month is sufficient for the user's purposes.</li> </ul> <p>There may be circumstances when a user may require the practitioner to select samples on which to perform AUP, but does not specify the number of samples or how they are to be selected. In such cases, the practitioner may provide advice on the number of samples and how the samples are to be selected before commencing the engagement. However, the number of samples to be selected and how they are to be selected should be clearly set out in the AUP report. This is because the intended user is responsible for determining whether the samples selected are sufficient and appropriate for the user's purposes.</p>
5.	AUASB	<p><i>Combined answer to question 1 and 2</i></p> <p>Applying judgement requires a level of subjectivity, so the AUASB considers that it is not be appropriate for the practitioner to exercise professional judgement when conducting agreed-upon procedures.</p>

		<p>One of the differentiating factors between an agreed-upon procedures engagement and an assurance engagement is the extent of assurance practitioner’s professional judgement exercised in selecting procedures. In an agreed-upon procedures engagement, professional judgement may be exercised in assisting the engaging party to identify procedures when agreeing the terms of the engagement. However, in an assurance engagement, professional judgement should always be applied in selecting and conducting the assurance procedures themselves.</p> <p>The Australian Standard on Related Services, ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings, paragraph A11 states: In an agreed-upon procedures engagement, as the assurance practitioner does not express a conclusion, it is the engaging party’s responsibility to determine the procedures which will provide sufficient appropriate evidence to support their own or intended users’ conclusions. It is only appropriate for the assurance practitioner to select the procedures if they will be assessing the evidence to support a conclusion provided in an assurance engagement.</p> <p>While a user may place reliance on the factual findings of an assurance practitioner in an agreed-upon procedures engagement by virtue of the practitioner’s professional skill in conducting the agreed-upon procedures, this reliance does not amount to the provision of assurance. In contrast, for an assurance engagement the practitioner exercises their professional judgement to determine the procedures necessary to gather sufficient appropriate evidence on which to base a conclusion, which provides assurance to the intended user.</p> <p>One of the most significant attributes of an agreed-upon procedures engagement is the lack of subjectivity in both the procedures and the factual findings. Applying judgement requires a level of subjectivity, so the AUASB considers that it would not be appropriate for the practitioner to exercise professional judgement when conducting agreed-upon procedures.</p>
6.	CNCC-CSOEC	<p>Professional Judgment has a role to play in an AUP engagement, at least to comply with the IESBA code that requires that a practitioner has to exercise professional competence and due care when performing a “non-assurance engagement” such as an AUP engagement. Professional judgment plays a role in client engagement acceptance and continuance.</p> <p>This is the case when the auditor determines with the client the scope of the engagement and the procedures to be performed, especially when he advises him on the following matters:</p> <ul style="list-style-type: none"> <li>- Information, data, documents or elements of Internal control on which the procedures have to be performed;</li> <li>- nature, extent and timing of the specific procedures to be applied;</li> <li>- form of the report of factual findings;</li> <li>- limitations and distribution of the report of factual findings.</li> </ul> <p>Once these elements are agreed, we consider that exercising professional judgment should not be necessary In performing the procedures or in interpreting the results since the aim of the AUP engagement is to report on factual findings.</p> <p>However, we believe that, in certain situations, practitioners may nevertheless have to exercise professional judgment (e.g.the procedures requested by the client appear definitively inappropriate and impossible to perform in practice; the practitioner has Identified factual facts and findings that may call into question the relevance of agreed procedures). In this case, the auditor will have to use his professional judgment to appreciate the situation and discuss it with the client to review and readjust adequately the scope, the nature and the extent of the work to be performed.</p>

7.	FAP	<p><b>IAASB Agreed-Upon Procedures Working Group issued the discussion paper: Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards on November 2016 and request for the comment by 29 March 2017. Overall, we have concerned on performing the AUP engagement with professional competence and due care over role of professional judgment because it will confuse users over the degree of confidence about the performing result. It should be careful on guidance over AUP Report for avoiding an expression of practitioner’s opinion.</b></p> <p>No, it’s not exactly consistent with our view. AUP engagement should include the role of professional judgment when it does clearly define the limit of judgment.</p>
8.	HKICPA	<p>We agree with the view that the role of professional judgment in an AUP engagement is in the context of professional competence and due care and that the results are objectively verifiable factual findings.</p>
9.	IDW	<p>First, we would like to clarify that the question being raised is about the applicability of professional judgment, which involves the application of professional expertise in decision-making about alternative courses of action in the exercise of professional activities (see Section 7.2 of the FEE Paper “Selected issues in Relation to Financial Statement Audits” from 2007, which can be downloaded from the Accountancy Europe (formerly FEE) website). Every human activity, however, involves human judgment and many activities not requiring professional judgment may require some technical judgment beyond that possessed by a lay person (e.g., when adding up the totals on a series of sales invoices, recognizing which documents are sales invoices and which amounts should be added). Hence, not needing to apply professional judgment does not in any way imply that human and technical judgment is not required.</p> <p>Whether or not, and if so, when, where and to what extent, professional judgment ought to be exercised in an agreed-upon procedures engagement depends upon how the nature of the engagement is defined, and why it is defined in this way. In this respect, it might be helpful to understand the traditional differences between an agreed-upon procedures engagement as it is currently conceived under current ISRS 4400 compared to certain commonly known other standards, such as those of the AICPA (see AT § 201). The primary difference is that the performance of agreed-upon procedures engagements under AICPA standards leads to “findings” (which would require the exercise of professional judgment in the performance of the procedures), rather than “factual findings” as required by current ISRS 4400 (which would not, but may require the application of technical judgment). In our view factual findings are findings that are objectively verifiable such that virtually all of those with the necessary expertise would reach the same finding and that ISRS 4400 should focus on the performance of procedures that lead to factual findings.</p> <p>The difference between current ISRS 4400 and the AICPA standard arises from the fact that for many years AICPA attestation standards only covered one type of direct reporting engagement under ISAE 3000 (Original) as issued in 2003 (see International Framework for Assurance Engagements paragraph 10 sentence 3): that is, the case in which the practitioner obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to intended users (this would now be defined an attestation engagement under ISAE 3000 (Revised) as issued in 2013). Not covered by the AICPA attestation standards was the case in which the practitioner directly performs the evaluation or measurement of the subject matter (this would now be considered a direct engagement as defined by ISAE 3000 (Revised)). This means that the AICPA agreed-upon procedures standard was, among other things, designed to help cover a gap in its attestation standards for the second type of direct reporting engagement (now defined as a direct engagement) and therefore contemplates a different kind of engagement called “agreed-upon procedures” compared to the engagement set forth in current ISRS 4400 of the same name. We would not be surprised if some comment letters emanating from a U.S. background</p>

		<p>therefore claim that the performance of procedures in an agreed-upon procedures engagement should involve the exercise of professional judgment.</p> <p>This does not mean that we are suggesting that professional judgment need not be exercised at all in an agreed-upon procedures engagement as designed in current ISRS 4400. We believe that considerable professional judgment is required in undertaking the following activities in an agreed-upon procedures engagement:</p> <ul style="list-style-type: none"><li>• Complying with the fundamental principles of the Code of Ethics</li><li>• Defining the terms of engagement, and in particular the design of the engagement and the resulting nature, timing and extent of the procedures agreed to be performed to meet the purpose of the engagement based on discussions with the relevant parties</li><li>• Quality control at engagement level</li><li>• Planning the work</li><li>• Documenting the work performed</li><li>• Preparing the report (in particular in relation to the wording used)</li></ul> <p>However, because the performance of the procedures results in “factual findings”, under current ISRS 4000 the procedures need to be sufficiently specified in terms of nature, timing and extent so that the exercise of professional judgment is not necessary in their performance. If the performance of procedures were to result in “findings” as opposed to “factual findings”, it would not be possible to define the nature, timing and extent of the procedures such that professional judgment is not needed.</p> <p>The question arises whether engagements under ISRS 4400 should be broadened to include the performance of procedures that lead to “findings” rather than “factual findings”. Our standard setting experience has shown that there is room for two different – if similar – kinds of engagements in the portfolio of services that the accountancy profession provides. One would be an agreed-upon procedures engagement as currently designed in ISRS 4400 in which, once the nature, timing and extent of procedures have been agreed, the practitioner has no room for the exercise of professional judgment in their performance and determines the factual findings resulting from the performance of those procedures.</p> <p>Another kind of engagement that we have found to be particularly useful to help practitioners meet the certain needs in the regulatory community is what we call an “agreed-upon audit-type procedures engagement” or “specified audit-type procedures engagement”. In these engagements, in agreement with the relevant regulators, our standard specifies the nature of the procedures that must be performed, if applicable. However, these regulatory users value the judgment of the practitioner in the practitioner’s determination of how those procedures are performed in a particular case and the timing, and in particular the extent, of the procedures performed. Since in these cases the practitioner exercises judgment in how the required procedures are performed and in their timing and extent, the performance of these procedures lead to “findings”. It is important to the regulator users that the practitioner’s report include a description of how the procedures were performed and their nature and extent so that the regulators are in position to draw their own conclusions from the practitioner’s findings. We had made the Working Group aware of the IDW standard for this kind of engagement (IDW PS 840), and we would like to report that we are currently working on another standard for this kind of engagement in a regulatory context (IDW EPS 830), and are considering whether this kind of engagement might be useful in other regulators contexts, too.</p> <p>In summary, we believe that an agreed-upon procedures engagement requires professional judgment for the activities described in the bullet point list noted above, but not in relation to the performance of the procedures, so that the results of the performance of the</p>
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		<p>procedures would be factual findings. This implies that there must be a high degree of specificity in the agreed nature, timing and extent of those procedures. In our view, the revision of ISRS 4400 should be undertaken along these lines.</p> <p>However, once the IAASB has revised ISRS 4400 in this vein, we believe it would be advantageous for the IAASB to consider adding another potential standard to its strategy and work plan for an engagement like an “agreed-upon audit-type procedures engagement” as noted above that does require professional judgment in the performance of the procedures. Because of the similarities between the two types of engagement, we expect the incremental work involved to be manageable.</p> <p>Given the current definition of professional skepticism in ISA 200 and ISAE 3000, we do not believe that professional skepticism can be exercised in an agreed-upon procedures engagement. The current definition is very much designed for assurance engagements only and therefore involves being alert to conditions indicating possible misstatement and a critical assessment of evidence, for which the exercise of professional judgment is necessary, which is not the case in the performance of procedures in an agreed-upon procedures engagement. If, however, the definition and general applicability of professional skepticism were to be changed through the project on professional skepticism, then the applicability of professional skepticism to agreed-upon procedures engagements would need reconsideration.</p>
10.	JICPA	<p>Our views are consistent with those of the Working Group. Professional judgment is in particular exercised in the process of accepting a new engagement contract or renewal of the contract (at the phase of procedures development to be implemented and agreement thereof). In addition, professional judgment will be required when a situation arises that indicates the possibility of not being able to achieve the objectives set forth in the AUP engagement such as the situation that requires change(s) to the engagement contract or review of the agreed procedures during the process of planning, implementation, or reporting.</p> <p>Meanwhile, an ideal manner of the professional judgment in the AUP engagement stems from the nature of undertaking, and it is understood that the practitioner is not responsible for the sufficiency of the agreed procedures. However, since the current ISRS4400 has not clearly articulated on this point, there is a concern that a misunderstanding may happen that not only clients but also practitioners have to bear the responsibility concerning the sufficiency of the procedures. It is desirable to clearly articulate the party responsible for making decision on the procedures and then to demonstrate the instances where the practitioner is expected to exercise his/her professional judgment. In this regard, the Professional Guidelines 4400 stipulates that the clients are solely responsible for making decision on the procedures.</p>
11.	MAASB	<p>The AASB is of the view that professional judgement has a role in an Agreed-Upon Procedures (AUP) engagement. However, given the nature of an AUP engagement, which is to report on factual findings based on procedures agreed between the practitioner and the engaging party, professional judgement in an AUP engagement should be limited only to professional competence and due care. For example, the practitioner may exercise due care in determining whether the requested procedures contain terminology that is unclear or misleading.</p>
12.	NBA	<p><b>Issues encountered in practice</b></p> <p><b>In practice the current Standard 4400, based on ISRS 4400, often leads to questions or issues. Disciplinary cases with respect to practitioners about AUP’s regularly show that the practitioner unintentionally provided assurance by drawing conclusions, while this is not the intention of an AUP. For the user there is a misunderstanding that the practitioner does not express assurance in an AUP, while the user relies on the findings of the practitioner (and derives ‘comfort’ from the report). In fact the practitioner can ‘guarantee’ the reliability of the outcomes because it involves factual findings. There is also a difference</b></p>

between everyday language use on the one hand (conclusion, to review, assurance) and the terminology of the Standards of the IAASB on the other hand.

**Interpretation of facts**

In fact, there is a spectrum between an AUP engagement (factual findings) and an assurance engagement (conclusion). The practitioner would like to answer the specific question of the intended user, but this might be considered as a conclusion. In the revised Standard 4400N we 'shifted more to the right' in this spectrum. The practitioner reports on the findings resulting from the agreed-upon procedures which he can substantiate with the information obtained. Nevertheless it is possible that the practitioner gives an interpretation of the findings, for instance in a summary report. With this report he can help the user in his decision-making process. The practitioner does not make a statement about the meaning of the findings for the object as a whole ('assurance'). The work is not intended for such a statement, because of an insufficient basis for a pronouncement on the object as a whole

For example, the practitioner can report that the internal guidelines are followed for eight investigated expense reports, but he does not make a statement about all of the expense reports. The intended users will have to determine for themselves whether they find this sufficient and apply their own knowledge and make use of any other information. Therefore, it is important that the practitioner and the intended users will agree the AUP.

**Other example**

By providing an interpretation of the findings, the practitioner uses his expertise (professional judgment). Much of the practitioner's value lies in implementing professional judgment to the engagement. An example of procedures which requires further interpretation of the practitioner and factual findings under application of Standard 4400N is the following (see Appendix 1, par. A6 Standard 4400N). The example is based on the European's Commission Horizon 2020 program. We recognize that some of the prescribed factual findings in the Grant Agreement of Horizon 2020 are worded in a manner that could lead to misinterpretation (assurance)<sup>1</sup>. Nevertheless, we consider that it is possible to meet the specific need of the regulator without expressing assurance with Standard 4400N.

A translation of the Dutch clarified Standard 4400N is included in the Appendix. In answering your questions we will refer to this Appendix. For the description of the engagement see Appendix 1, par. 3 to 6 inclusive, par. 13c, par. A4 to A6 inclusive Standard 4400N

<sup>1</sup> Compare paragraph 50, first bullet from your discussion paper about 'hybrid (or multi- scope) engagements'.

No, we believe that professional judgment at an AUP engagement goes beyond professional competence and due care. We think that further interpretation of the practitioner can be required (see '1 General Comments'). The practitioner can use his own expertise or reference framework (professional judgment), in addition to the agreed principles/criteria.

Much of the practitioner's value lies in implementing professional judgment. For example for twelve selected items: 'there is a direct connection between the expenses and the project and that the evidence is consistent with the subject of the travel, the dates and duration.' (see example par. A6 under 'Appendix 1').

In Standard 4400N we give some examples of applying professional judgment in an AUP engagement. We consider this to be also in line with Standard 4410 'Compilation Engagements' (par. 22 and A22 to A24 inclusive). For Professional Skepticism we refer to Q13.

		See Appendix 1, par. 21 and A10 Standard 4400N.
13.	NZAuASB	<p><b>The NZAuASB is concerned that there is an expectation gap in the market around factual findings versus assurance. The essence of the AUP engagement is one in which the practitioner agrees the procedures to be performed with the entity and specified third parties who have the requisite knowledge and understanding of the entity and the procedures performed to evaluate the results of the procedures performed and draw their own conclusions.</b></p> <p><b>Care must be taken to ensure that the engaging party doesn't see the AUP engagement as a cheap alternative to an assurance engagement.</b></p> <p>The NZAuASB agrees with the Working Group that professional judgement has a role to play in an AUP engagement, albeit a different, more limited, role to that of professional judgement in an assurance engagement.</p> <p>The need for professional judgement is more limited in the AUP context than for an assurance engagement, as there is no need to exercise professional judgement in performing or evaluating the findings of the procedures performed. The NZAuASB agrees that AUP engagements should result in objectively verifiable factual findings and not subjective opinions or conclusions.</p> <p>In an AUP engagement, the NZAuASB considers there is a need for the application of professional judgement:</p> <ul style="list-style-type: none"> <li>• when performing engagement acceptance considerations, for example, making a judgement whether the AUP engagement is appropriate in the circumstances and that the users do not actually require some form of assurance engagement.</li> <li>• to determine whether the procedures to be performed are objective or whether the procedures could potentially be misleading. For example, in the local market our constituents have found that procedures suggested by a client or a regulator often would require the use of professional judgement in performing the procedures and/or are subjective due to a lack of understanding in the market of the nature of an AUP engagement. In these circumstances, the practitioner may need to assist the client in determining appropriate procedures to be performed and with it the appropriate engagement type.</li> <li>• to determine whether the procedures agreed-upon are appropriate and sufficiently complete to provide the information necessary for the user to evaluate and draw a conclusion. For example, a client may request procedures be performed over invoices to determine that the authorisation process is being followed. However, if the client does not also request procedures be performed to determine completeness of the invoice series, how can the user conclude that theft has not occurred by means of invoice deletion and payment diversion? In such circumstances, the practitioner may suggest additional or alternative procedures to the client, or at least clarify that these procedures do not address certain risks. However, ultimately, it is up to the client to determine the procedures to be performed. A change in procedures could result in the engagement becoming an assurance engagement, and managing this could also require the exercise of judgement.</li> </ul>
<b>Accounting Firms</b>		
14.	BDO	<p>We believe that professional judgment has a place in the AUP engagement, but should not be confined only to professional competence and due care. There will be some situations in AUP engagements where professional judgment beyond professional competence and due care may be applicable and we propose that the practitioner have flexibility in making this determination.</p> <p>The recommendation of the Working Group to include a discussion of professional judgment in the Introductory section would be helpful in differentiating between assurance and non-assurance engagements. We believe the type of assurance provided in an engagement, if any, is determined by the type of engagement and work effort and would not be based on the application of professional judgment.</p>

15.	CHI	<p><b>Professional judgment has a role in an AUP engagement;</b></p> <p>We agree that:</p> <ul style="list-style-type: none"> <li>• Professional judgment has a role in an AUP engagement; and</li> <li>• Findings should be objectively verifiable and factual.</li> </ul>
16.	DTTL	<p><b>An agreed upon procedures engagement (AUP engagement) is limited by the nature of the engagement to performing procedures that are objectively verifiable and agreed- upon by the specified parties, and result in reporting factual findings. As such, the need for the use of professional judgment may be more limited than in an audit, reasonable assurance or limited assurance engagement because the practitioner is not making the determination as to the nature, timing, and extent of the agreed-upon procedures (AUPs). However, DTTL agrees with the Working Group that professional judgment is never suspended, and that in the context of an AUP engagement, such judgment is applied in the context of professional competence and due care, as described in paragraph 11 of the Discussion Paper. DTTL also believes professional judgment is applied in engagement acceptance decisions.</b></p> <p>Please refer to the Executive Summary.</p>
17.	EYG	<p>Yes, this is consistent with our views on the role of professional judgment in an AUP engagement. Further, we believe that professional judgment (and professional skepticism) remain applicable, and should be applied, in the activities of the practitioner related to engagement acceptance and agreeing the terms of an AUP engagement. Once the purpose of the engagement, procedures to be performed by the practitioner, and the specific users of the report have been agreed, we agree that the practitioners' performance of the procedures should result in objectively verifiable factual findings and not subjective opinions or conclusions.</p> <p>As practitioners are required to comply with relevant ethical requirements (other than independence) to perform AUP engagements, we agree that practitioners are obligated to respond to any matters that come to their attention during the performance of an AUP engagement that warrant a response under relevant ethical requirements (e.g., non-compliance with laws and regulations), which may involve the exercise of professional judgment. Practitioners also, in our view, cannot ignore any contradictory evidence, any indications that evidence is not reliable or genuine, or any matters that arise that cause the practitioner to doubt the integrity of management.</p>
18.	GTIL	<p>The views expressed in the Discussion Paper concerning the role of professional judgment in an AUP engagement in the context of performing that AUP engagement with professional competence and due care are generally consistent with our views. In connection with a duty of care, whilst we are of the belief that the practitioner should not knowingly allow or perform procedures in an AUP engagement that are known to be misleading, we do not believe that it is the sole responsibility of the practitioner to exercise judgment over the sufficiency of the procedures. This responsibility lies with all parties to the engagement. Further, as part of that duty of care, the practitioner should exercise professional skepticism, not only in developing the AUPs but also in the performance of those procedures by being alert for matters for which the practitioner may have additional responsibilities under law, regulation or relevant ethical requirements.</p> <p>ISRS 4400 currently requires the practitioner to comply with the provisions of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. This requirement may be too restrictive in light of the fact that some AUP engagements do not require a professional accountant to perform the engagement, for example, where the nature and timing of the procedures are sufficiently clear and precise. We are of the view that a provision similar to that in International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information may be more appropriate. This allows for compliance with</p>

		professional requirements other than the IESBA Code of Ethics provided such requirements are at least as demanding as those in the IESBA Code of Ethics.
19.	KINGSTON SMITH LLP	<p>Our view is that professional judgement does have a role in an AUP engagement. However, we do not believe that professional judgement in an AUP engagement is necessarily limited to the exercise of professional competence and due care.</p> <p>Even though no opinion or conclusion is being expressed, the accountant performing an AUP engagement may still need to exercise some judgement in determining what items to test even when the tests themselves, or the number of items to be tested, are prescribed (for instance by a grant giving body). Some judgement is also required when determining the level of detail into which the report on factual findings should go, and in some cases the wording to be used in the report. We would agree that the exercise of judgement in an AUP engagement is limited when compared to an assurance engagement, but nonetheless it is still present.</p>
20.	KPMG	<p><i>Combined answer to question 1, 2 and 4</i></p> <p>Practitioner's involvement in the terminology used in describing the procedures (Q1, Q2 and Q4)</p> <p>Unclear or misleading terminology</p> <p>In our experience, there is a lack of understanding in the market of the nature of an AUP engagement, in particular why it is important that key stakeholders understand and agree on the procedures to be performed. As a result, procedures initially suggested by a stakeholder (e.g. the engaging party, preparer, management or a third party user) are often those which are not conducive to reporting factual findings because their performance requires the use of professional judgement and/or they are subjective in nature.</p> <p>While the Standard does not provide specific guidance relating to the extent to which a practitioner may be involved in getting agreement on the nature and extent of the procedures to be performed, in practice practitioners are often consulted in this regard. We view this type of involvement by practitioners as something that can enhance the usefulness and credibility of an AUP engagement. Therefore, we see value in practitioners providing input to the process of agreeing and scoping the procedures, as well as describing them in a language which is not misleading (i.e. not suggesting a level of assurance is provided) or unclear, based on their experience and understanding of the purpose of the AUP engagement and how users will use the factual findings. It may be helpful for the Standard to include examples of appropriate and inappropriate language to describe procedures.</p> <p>We also believe that professional judgement has a role in the planning of AUP engagements and in helping practitioners provide critical challenge and support to the preparer/user who is determining the procedures as well as in the acceptance decision, particularly the judgement as to whether an AUP engagement is fit for purpose.</p> <p>We therefore believe the Standard would be enhanced if it included guidance as to the professional judgement required and what constitutes evidence that (i) the practitioner has satisfied themselves that key stakeholders have sufficient understanding/agreement of the procedures and terms of the engagement; and (ii) the actions that may be taken, for example in the report of factual findings, if it is not practicable to get the understanding/agreement of some of these stakeholders such as third party users. We also recommend that the IAASB considers including some of the content of paragraph 12 of the DP in the Standard.</p> <p>We also believe that the IAASB, as part of the process of developing and obtaining acceptance of an updated Standard on AUP, can play a role in enhancing user understanding of the nature and purpose of AUP to reduce requests for inappropriate scopes of work under the umbrella of AUP. An example would be requests from grant-awarding public sector bodies for AUP engagements that include procedures such as "review cost allocations to determine if they are reasonable".</p>

		<p>We therefore recommend the IAASB consider liaising with other parties, including regulators, legislators, and national standards setters, in developing guidance (educational material) on the type and scope of services. This will facilitate bridging the expectation gap between users and practitioners when requesting and performing, AUP, assurance or advisory services, respectively.</p> <p>Granularity in description of procedures and findings</p> <p>We believe it is reasonable for practitioners to bring judgement to bear in determining the level of granularity necessary in the description of procedures performed – both in agreeing the scope of engagement and in the report of factual findings. In some cases, it will be appropriate for every test to be described in detail; in other cases, it may be appropriate to group tests together under summary descriptions.</p> <p>The principle that the description of a test should be such that another practitioner would be able to replicate the test from the description remains the optimum means of reducing the level of risk in an AUP engagement. Accordingly, we consider that the Standard should allow 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.</p>
21.	PKFI	<p>Yes, we agree with the view that professional judgement has a role in an AUP engagement.</p> <p>Although the procedures are specified precisely, the practitioner does not suspend professional judgment and professional skepticism when performing an AUP engagement, for reasons stated in the Discussion Paper.</p> <p>The procedures in an AUP engagement are to result in objectively verifiable factual findings, but the nature and extent of the evidence gathered that is needed to present these findings is subjected to the practitioner's judgement, especially when the practitioner is only provided with objectives or outcomes. This is further discussed in the next question.</p>
22.	PwC	<p><b>Other key points</b></p> <p><b>Some of the other key points we make in our responses to the questions include:</b></p> <ul style="list-style-type: none"> <li>– <b>As in any other type of engagement, practitioners would be expected to be competent and apply due care.</b></li> <li>– <b>Although professional judgement is not applied in performing AUP engagements in the same way as it is in performing an audit, review, other assurance engagement or consulting, we believe it is exercised in determining whether the procedures to be performed are appropriate given the purpose of the AUP engagement. In practice, practitioners often work with the users of the report in helping to design procedures that will meet their needs. As such, saying that there is no professional judgement applied at all in AUP engagements is taking a narrow view and underestimating the judgement applied in engagement acceptance and design.</b></li> <li>– <b>The procedures in an AUP engagement should generally result in objectively verifiable factual findings and are not designed to provide a basis for the practitioner to form an opinion or conclusion. Much time can be spent in the engagement acceptance process in working with the user of the report to define the procedures that will provide the information they seek but, once defined, the focus is on performing those procedures and reporting the results.</b></li> <li>• Practitioners do apply professional judgement in the engagement acceptance decision, including in deciding whether an AUP engagement is appropriate in the circumstances and, if so, in designing (in conjunction with the entity and/or user) the procedures</li> </ul>

		<p>to be performed. The practitioner may also need to further refine the procedures during the course of the engagement in light of additional understanding obtained.</p> <ul style="list-style-type: none"> <li>• However, we agree that once the procedures are designed, professional judgement is not applied in the performance of the procedures themselves or in the interpretation of the results. There may be AUP engagements when an agreed procedure may involve achieving an agreed amount of coverage of a population. In these circumstances, the practitioner would select the items to be tested, but we do not consider this to be the application of professional judgement, as the practitioner is not determining the appropriate amount of coverage but is simply completing the agreed procedure.</li> <li>• Therefore it would be useful for the Standard to expand on what is involved in the parties “agreeing on the procedures”, and explain the role the practitioner might play in helping to design appropriate procedures in light of the users’ information needs. However, it will be important to emphasise that the practitioner needs to be careful that, in doing so, the party for whom the procedures are being performed still takes responsibility for the sufficiency of the procedures to meet the users’ information needs.</li> </ul>
23.	RSM	We agree with the view that professional judgement has a role to play in a practitioner’s determination of whether to accept or continue, and how to perform, the procedures an AUP engagement. All practitioners should uphold the reputation of the profession, their firm and themselves as individuals by acting with professional competence and due care. They should not therefore be associated with assignments which might compromise these principles and should avoid situations such as those set out in paragraph 12 of the discussion document.
<b>Public Sector Organizations</b>		
24.	AUDIT NEW ZEALAND	While we agree that an AUP engagement should result in objectively verifiable factual findings, in practice there are unlikely to be many engagements that are purely factual and objective, without any judgement (however minor). However we would expect the procedures in an AUP engagement to result in predominantly objectively verifiable factual findings, with limited need for professional judgement.
25.	CIPFA	<p>CIPFA agrees that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. This may be particularly important if the professional accountant is to place reliance on other experts, where judgment may be required as the appropriateness of the expert.</p> <p>Nevertheless, the scope of such judgment needs to be limited, so that it does not invalidate the output of the assignment, which must remain confined to objectively verifiable factual matters.</p>
26.	PAS	Yes, professional judgment needs to be applied when performing the procedures in an AUP engagement with professional competence and due care.
<b>Member Bodies and Other Professional Organizations</b>		
27.	ACCA	ACCA agrees that an AUP engagement should produce objectively verifiable factual findings, and therefore supports the Working Group’s proposition, in paragraph 10, that the exercise of professional judgement should be limited to its exercise of professional competence and due care. The factors in paragraph 12 seem appropriate to ensuring that this is done.

		<p>The use of judgement is particularly important in the case where, either prior to accepting or after commencing the engagement, it becomes apparent that completing the engagement may produce misleading results. In these circumstances, the practitioner should decline or withdraw from the engagement.</p>
28.	AE	<p>(1) <b>We agree that professional judgment has a role to play in an AUP engagement and that this role entails more than performing the AUP engagement in accordance with the ethical fundamental principle of professional competence and due care. There is a spectrum in the use of professional judgement in AUP engagements that varies in each situation. ISRS 4400 should therefore be flexible and applicable to different scenarios. We refer to our response to question 1.</b></p> <p>(2) <b>Discussions with stakeholders strongly suggest that the ISRS 4400 should recognise the fact that agreeing the procedures to be performed and performing AUP engagements are separate activities, but that they may sometimes take place in parallel. In the case that procedures are agreed in advance the practitioner will perform the procedures without exercising professional judgement. In other cases, agreeing the procedures to be performed may be an iterative process that continues alongside performance. This means that in such circumstances, judgement may be used throughout to refine the agreement on procedures to be performed up to a late stage in the engagement.</b></p> <p>(3) <b>The IAASB should draw upon the brochure developed by the IFAC SMP Committee and clarify to other stakeholders what AUP services bring. AUP is sometimes mistakenly seen by other stakeholders as an assurance engagement. Equally, there is confusion by the intended users and the regulators about the level of assurance provided by each engagement and this also merits clarification. This is also why a discussion about the purpose and scope of the engagement for the user needs to take place.</b></p> <p>Professional judgment has a role to play in an AUP engagement particularly in compliance with, but not limited to, the ethical fundamental principle of professional competence and due care.</p> <p>Agreeing on the procedures to be performed is not always a discrete process in practice. There is a spectrum in the use of professional judgement. At one end of the spectrum, in many simple AUP engagements, where the scope of the AUP engagement has been clearly defined and included in the engagement terms (e.g., as is often the case in relation to work on grant expenditure), professional judgement does not play a role in performing the procedures or in interpreting the factual findings.</p> <p>At the other end of the spectrum, in more complex engagements, the procedures may need to be adapted during the AUP engagement and, there, the practitioner will need to exercise professional judgement when agreeing with the client the refinement of the procedures to be performed. Agreeing the procedures to be performed may be an iterative process that continues alongside performance. In such circumstances, judgement may be used to refine the agreement on procedures to be performed up to a late stage in the engagement. For example, it may be agreed initially that a sample size of x is required, but that as a result of preliminary enquiries, it becomes clear that a sample size of y would be more appropriate and this is what the client and practitioner agree. The boundaries of agreeing the procedures to be performed are in practice very wide.</p> <p>Inevitably, in some cases, interpretations of the practitioner could be necessary in making a statement on certain aspects or parts of the outcomes. The practitioner may use his/her own expertise or reference framework (professional judgment) in addition to the agreed principles and criteria. This will be part of the value added to the engagement as a practitioner.</p> <p>The current definition of professional scepticism in ISA 200 and ISAE 3000 is designed for assurance engagements, in that it involves being alert to conditions indicating possible misstatement and a critical assessment of evidence, for which the exercise of professional</p>

		judgment is necessary. This is not the case in the performance of procedures in an AUP engagement. If the definition and general applicability of professional scepticism were to be changed through the project on professional scepticism, then the applicability of a different degree of professional scepticism or a critical mindset to AUP engagements would need reconsideration.
29.	AICPA	Yes, the views of the ASB regarding the role of professional judgment are consistent with these results. Under the ASB's Statements on Standards for Attestation Engagements (SSAEs), the practitioner is required to exercise professional judgment in planning and performing an AUP engagement.
30.	ASSIREVI	In our view the role of professional judgment in an AUP engagement should be maintained within the boundaries of required professional competence and due care.
31.	CAANZ	<p>There are three different contexts of professional judgment, prompted mainly by the requirement to meet the fundamental principles of objectivity and professional competence and due care. Professional judgment is not only exercised when applying the Standards. The three parallel definitions of professional judgment refer to the Standards and two other types of standards: standards of criteria and standards of ethics. While carrying out an engagement, the practitioner exercises professional judgment in context of:</p> <ul style="list-style-type: none"> <li>• The Standards;</li> <li>• Criteria;</li> <li>• Ethics – to display objectivity (and other fundamental principles, but using judgment to a lesser extent).</li> </ul> <p><b>The Standards</b></p> <p>According to the Assurance Framework, professional judgment must be exercised throughout an assurance engagement. The Assurance Standards reiterate this. This is also true with non-assurance engagements, such as a compilation engagement. Currently, only ISRS 4400 remains silent on professional judgment.</p> <p>The Standards deal with professional judgment in many circumstances which are set out in Appendix B, Table 1. As indicated, most of them are irrelevant to an AUP engagement. Activities such as designing procedures for a specific purpose, sampling method decisions, sample design and the application of criteria are interrelated with, and depend on, assurance activities which are not performed in an AUP engagement.</p> <p>Other than those circumstances specifically mentioned in Standards, professional judgment may also be implied – for example, when deciding to take on an engagement or when wording a modified report. While the Standards mention judgment and professional judgment only about 600 times, other words which may also imply professional judgment – like may, might, consider or consideration, believe, appropriate action, satisfied, some cases, sometimes, could and circumstances – occur over 8000 times in the Standards. In context, these words often point to uncertainties requiring professional judgment. In contrast, words of certainty like must, shall and should occur roughly only 1500 times in the Standards.</p> <p>Therefore, professional judgment when carrying out work in accordance with the Standards has a pervasive role, but a minor one at best in an AUP engagement.</p> <p><b>Criteria</b></p> <p>As with the technical nature of the Standards, criteria is often complex, requiring training, skill, insight to apply – either when assisting with compiling subject matter information or providing assurance on it . The two tables in Appendix C list circumstances described in the</p>

		<p>Standards which require professional judgment when applying criteria (Table 2) and the effects of criteria-related judgment on an assurance engagement (Table 3).</p> <p>When subject matter information is compiled, it involves collation of information and interpretation of criteria. The outcome is therefore not factual, even though evaluation or measurement may be reasonably consistent. It is against the fundamental principle of integrity to hold out subjective subject matter information as facts. Likewise, when assurance is provided on subject matter information, conclusions are drawn on untested items contained in underlying subject matter, interpretations of criteria, and estimates contained in the subject matter information. Such conclusions are not factual findings either. Consequently, applying criteria – including exercising professional judgment when doing so – has no role in an AUP engagement.</p> <p>Ethics</p> <p>The professional accountant must also follow ethics standards when carrying out an engagement. This requires professional judgment because they are principles-based and complex in certain areas, requiring knowledge, skill and experience for each unique circumstance. Table 4 in Appendix D lists instances requiring professional judgment (on ethics) described in the Code.</p> <p>Though ethics-related professional judgment plays a role in an AUP engagement, the guidance is provided in the Code and not in the Standards. Therefore, the revised ISRS 4400 should not necessarily make mention of it, except perhaps a general precondition to comply with ethics requirements, which is already contained in the current Standard.</p> <p>Conclusion</p> <p>Professional judgment is not a requirement – it is the inevitable, called upon when facts or clear guidance are unobtainable. Although mostly tacit, some circumstances are described in standards where exercising professional judgment is unavoidable. Prohibitions and actions are also prescribed regarding professional judgment, as it is not to be used as a panacea for fact finding failures. It would be useful to know whether the Working Group has learned of AUP engagement situations where:</p> <ul style="list-style-type: none"> <li>• Practitioners were unaware that they could exercise professional judgment when faced with the absence of facts and the alternative actions they took instead (eg withdrawing from the engagement);</li> <li>• Professional judgment was inappropriately exercised, either –             <ul style="list-style-type: none"> <li>o As a substitute for facts or evidence where those were possible to obtain or unsupported by any, or</li> <li>o Where professional judgment was contradicted by known facts or evidence; or</li> </ul> </li> <li>• Professional judgment was not properly consulted on, documented or reviewed.</li> </ul> <p>Such information may shed light on specific standard-setting gaps, if any, pertaining to the role of professional judgment in AUP engagements. Our view remains that professional judgment has little or no role in an AUP engagement.</p>
32.	CAI	We agree with Working Group's view. This is consistent with the Institute's views on the role of professional judgement in an Agreed upon Procedure ("AUP") engagement.
33.	CPAA	Professional judgement is defined in the IAASB as: "the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement."

		<p>In an AUP, “decisions about the courses of action” are not made by the practitioner, as those courses of action, that is the procedures to be conducted, are decided by the engaging party and agreed in the terms of engagement. In contrast, in an audit or assurance engagement the practitioner exercises professional judgement by deciding the courses of action, that is, in determining the procedures necessary to provide sufficient appropriate evidence in order to reach a conclusion. The determination of what amounts to sufficient appropriate evidence is based on the practitioner’s risk assessment and materiality determination, both requiring the exercise of professional judgement.</p> <p>We agree that the exercise of professional competence and due care is critical in an AUP and is the underlying reason that the practitioner is engaged to conduct the procedures. Professional competence and due care is not defined in the IAASB standards but is one of the fundamental ethical principles, which is defined in the Code of Ethics for Professional Accountants (Code) issued by IESBA as:</p> <p>“to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.”</p> <p>Whilst professional accountants are required to comply with the fundamental ethical principles, including professional competence and due care, in all of their work, the Code notes that certain services are routine and mechanical in nature and so require little or no professional judgement.</p> <p>Nevertheless the Code does require members to exercise professional judgement in applying its conceptual framework, particularly in determining whether appropriate safeguards are available and can be applied when threats to compliance with the fundamental ethical principles are identified. It would also be necessary for the practitioner to exercise professional judgement when accepting the engagement in determining the nature and scope of the engagement, whether the engagement has a rational purpose and agreeing the terms, including the procedures, with the engaging party, as well as determining whether the practitioner has the appropriate level of knowledge and skill. However, once the procedures are agreed and the engagement commences, we consider that professional judgement should not be exercised in determining or modifying the procedures to be conducted. If there are concerns or observations which the practitioner needs to bring to the attention of the engaging party or another party then this occurs as a separate matter to the AUP engagement and should not impact the findings.</p> <p>As an AUP engagement does not result in the provision of an opinion or conclusion, it is important that the engagement is conducted in a way which does not mislead users into thinking that a conclusion has been reached. The Australian standard ASRS 4400 allows for professional judgement to be used when accepting the engagement only, but not in conducting the engagement.</p> <p>ASRS 4400, paragraph 25: “The nature, timing and extent of procedures shall be specified in the terms of the engagement in sufficient detail such that the assurance practitioner will not be required, during the course of the engagement, to exercise professional judgement in determining or modifying the procedures to be performed.”</p> <p>ASRS 4400, Appendix 1: “Professional judgement may be exercised in assisting the engaging party to identify procedures when agreeing the terms of the engagement, but only professional competence is exercised when conducting the agreed-upon procedures.”</p> <p>We see this distinction between professional judgement, as used in ASRS 4400, and professional competence and due care of importance, in differentiating an AUP from an assurance engagement. We are of the opinion that a practitioner performing an AUP should not be making judgements about the sufficiency or appropriateness of the findings, as that is the responsibility of the intended users when they draw their conclusions.</p>
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34.	EFAA	<p>We support the view of the AUP Working Group on the role of professional judgement in an AUP engagement.</p> <p>While the performance of the procedures agreed-upon to obtain evidence as the basis for the AUP report do not require the exercise of professional judgement, professional judgment is or may be required as follows:</p> <ul style="list-style-type: none"> <li>• to determine whether the engagement is appropriate;</li> <li>• to defining the terms of the engagement (especially the identification of the financial information to which the agreed-upon procedures will be applied and the determination of the nature, timing and extent of the specific procedures; ISRS 4400.9);</li> <li>• to assist users in determining appropriate procedures to achieve the users' objectives;</li> <li>• to plan the engagement (ISRS 4400.13);</li> <li>• to determine the level of adequate documentation (ISRS 4400.14); and</li> <li>• to determine whether findings are to be reported.</li> </ul> <p>In addition, during the conduct of the engagement the practitioner may encounter situations that demand their professional judgement for example, when the professional comes across an indication of (potential) non-compliance with laws and regulations (NOCLAR) or when the practitioner uncovers deficiencies in the client's internal controls system.</p> <p>The need for professional judgement may also depend upon whether the engagement is one that is agreed directly between an entity and a practitioner, where the user is the entity, or is stipulated by regulation, which requires an entity to obtain a report from a practitioner as prescribed by the regulation. In the former type of AUP the practitioner has more control over the procedures that are performed. Hence, the Working Group may need to differentiate between these two types of AUP. Furthermore, the Working Group may wish to consider if and how to accommodate those AUP style engagements, common in some jurisdictions, whereby only the nature of the procedures is agreed leaving the practitioner to apply professional judgement in determining the timing and extent of those procedures. For these types of engagement, the practitioner's report should clearly describe the nature, timing and extent of the procedures performed so that the users are sufficiently well-informed to draw their own conclusions from the findings.</p>
35.	FACPCE	<p>We agree that the role of professional judgment in an AUP engagement is understood in the context of professional competence and due care, the professional should maintain knowledge and expertise at the expected level and act in accordance with professional standards</p>
36.	FAR	<p>Professional judgment is a term that is strongly associated with assurance engagements. Even if the procedures in an AUP engagement should result in objectively verifiable factual findings the practitioner uses his or her judgment in some way. For example, when deciding if there are verifiable factual findings and if the procedures are sufficient to meet the client's need and are appropriate due to the objectives. Judgment is also used when analysing risks of misstatement caused by fraud or error. In the glossary of terms in Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements 2016-2017 edition the definition of professional judgement regarding audit assignments is:</p> <p>"The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement".</p> <p>If the term professional judgement shall be used in the context of an AUP engagement it is important to define the term in this context. Relevant training, knowledge and experience is always important, also in an AUP engagement. A risk with using the term professional judgment in ISRS 4400 however, is that this can create misconceptions that it is an assurance engagement because the term only has</p>

		<p>been used in such engagements before. For that reason, it could be considered to rephrase the term in ISRS 4400, but still emphasizing the importance of relevant training, knowledge and experience.</p>
37.	FSR	<p><b>One of the main challenges is caused by the requirement to enter into an engagement letter with the user of the report. We, therefore, welcome the IAASB's view that it should be possible to provide an AUP report to a party that has not signed the engagement letter. In these situations, it is, however, important that the procedure results in objectively verifiable factual findings and not judgement findings, and that the report is prepared solely for specific intended users and that these users are disclosed in the factual findings report.</b></p> <p><b>An AUP engagement is very flexible as the procedures can be tailored to specific needs and circumstances. In practice, this results in it that procedures are changed or added throughout an engagement so that users' needs are met. The current standard does not stipulate that procedures can be changed after an engagement letter is signed. In our opinion, the standard should include more flexibility so the engaging party is only required to agree to the procedures to be performed before the factual findings report is issued.</b></p> <p>We agree with the views of the IAASB. However, professional judgment plays a significant role when agreeing with the engaging party the details of the procedures to be performed. Consequently, the procedures to be performed may be agreed as part of an iterative process that continues throughout the performance of the engagement. In such circumstances, judgement may be used to determine the type and extent of procedures to be performed up to a late stage in the engagement.</p> <p>We are of the opinion that professional judgement and scepticism is an important aspect of delivering value to the users of our services. Therefore, it should be carefully considered how this could be incorporated into the ISRS 4400 standard.</p>
38.	IBR-IRE	<p><b>Overall, we would like to point out that agreed-upon procedures is often perceived, both by stakeholders as by clients, as providing “some” assurance or “some” judgment. We therefore stress the need for the IAASB in its outreach efforts to stakeholders to clarify the difference between the different types of engagements that can be performed under the IAASB standards. Additional guidance on the type of wording that needs to be avoided to reduce the risk of misunderstanding as to the scope of the practitioner’s report could also be helpful. In our view, IAASB has an important role to play in helping different types of stakeholders (regulators, clients, NSS, government bodies) to understand the different types of engagements that can be performed under the IAASB standards and the way they interact.</b></p> <p>Yes, we believe professional competence and due care have a role both in client and engagement acceptance as in advising the entity on the nature, extent and timing of the procedures to be performed and in avoiding misleading wording while being very clear and precise in the description of the procedures and findings. We do not believe professional judgment should be used in the performance of the engagement itself nor in formulating the conclusion. Also, we believe there is no duty of care with regard to third parties.</p> <p>In our view, the practitioner should indeed use its professional judgment in assessing whether he or she has the appropriate competence and resources to perform the AUP engagement and in assessing if the procedures agreed upon or the way the findings are reported could lead the reader of the AUP report to draw an incorrect, incomplete or misleading conclusion.</p> <p>We are not in favor of multi-scope engagements, as this could be confusing . In an AUP-engagement, we do not believe a practitioner should be given the possibility to give an interpretation in making a statement on certain aspects/parts of the outcome.</p>

		As to the issue of professional skepticism, we do not believe that professional skepticism should be included in ISRS 4400 other than through the practitioner's exercise of due care. However, additional guidance as to how to properly react to certain findings (fraud, illegal acts, etc.) would be helpful as these aspects are not addressed in detail in the current standard.
39.	ICAEW	<p>9. This is generally consistent with our views on the role of professional judgement in an AUP engagement. We believe that professional judgement has a role to play in terms of both client and engagement acceptance and continuance. It also has a role to play in determining and defining (and where necessary, redefining), in conjunction with the client (and other parties requesting the report), the procedures to be performed.</p> <p>10. Assuming the scope of the AUP engagement has been clearly defined (and included in the engagement terms (and will be set out in the AUP report)) we consider that professional judgement should not then play a role in actually performing the procedures or interpreting the results.</p>
40.	ICAG	<p><b>Firstly, while it is imperative that professional judgement and due care should be exercised, we advise that care should be exercised in concluding that the findings of an AUP report should be objective and not subjective. We raise this concern that many entities will come up with issues and expect the practitioner would take decisions for management of entities. The reason is that, where management are in a fix on making a decision, they will call on the professional entity to decide for them.</b></p> <p>A1. Yes, we believe that professional judgment should be used in ensuring objective compliance in cases of ambiguity. An AUP engagements should result in objectively verifiable factual findings and not subjective opinions or conclusions. Professional judgment should therefore be seen in the context of professional competence and due care for AUP engagements.</p>
41.	ICAS	<p>Response 1</p> <p>We believe that the role of professional judgement in an AUP engagement will vary depending upon the engagement. In some scenarios, management is well-informed and the knowledge and insight into the information subject to the AUP engagement rests with them. In these cases, the scope of the AUP can be agreed at the engagement commencement stage and there will be little, if any, need for subjective decisions on the part of the practitioner.</p> <p>However, there will be some scenarios where the practical knowledge of the underlying information rests with the practitioner and they will therefore be expected to, and will require to, apply some judgement as to the extent and scope of the procedures to be undertaken. For these reasons, we believe that the need for professional judgement in an AUP should not be restricted to the concepts of professional competence and due care. Client and engagement acceptance and continuance, as well as in determining and defining the extent of procedures to be performed, might also rely on the application of judgement, depending on the nature of the engagement.</p> <p>We also believe that the procedures undertaken should avoid any reference to the terms audit, review and/or assurance and agree that the factual findings reported should not be based upon any subjective opinions or conclusions.</p>
42.	ICASL	Agree with the working group's view about the role of professional judgement in an AUP engagement but use of professional judgement plays a limited role in an AUP engagement. For instance when deciding the nature, timing and extent of the specific procedures professional judgment may be involved. Professional skepticism may not be necessary for the critical assessment of evidence. So, in line with the working group's view, exercise of professional judgement is never suspended in AUP engagements while it's limited in the context of professional competence and due care, including professional judgment in an AUP engagement defeats the purpose of providing a factual finding report vs expressing an opinion.

43.	ICAZ	<p>Yes, this is consistent with our views on the role of professional judgment in an AUP engagement.</p> <p>The areas in which the practitioner exercises professional judgement clearly differ in an AUP engagement, and assurance engagement. In an assurance engagement, they make decisions regarding materiality, audit risk focus, timing and extent of auditing procedures etc, requiring professional judgement. In an AUP engagement, the practitioner will still be required to make professional judgements during the planning phase of the engagement for example when considering the procedures to be performed in order to report on the outcome of the AUP's. In an AUP engagement, due to the nature of the engagement, procedures that are agreed upon should be performed so that a clear statement of findings can be reached. The practitioner will not need to make further professional judgements in interpreting the outcome once the agreed upon procedures have been performed and findings reported.</p>
44.	ICPAU	<ul style="list-style-type: none"> <li>• This is consistent with the held view.</li> </ul>
45.	ISCA	<p>1.1 We agree that professional judgement and professional skepticism have a role in an AUP engagement. Professional skepticism is always necessary and relevant. The exercise of professional judgement is essential but limited.</p> <p>1.2 In practice, practitioners already exercise professional judgement in an AUP engagement, although this is not discussed in International Standard on Related Services (ISRS) 4400. At the onset of an AUP engagement, the practitioner, the entity and appropriate third parties discuss and agree the procedures to perform.</p> <p>1.3 At the same time, the practitioner exercises professional judgement to:</p> <ul style="list-style-type: none"> <li>• Understand the objectives of the engagement and the needs of the users;</li> <li>• Determine if the AUP framework meets the needs of the users, or if another framework may be more appropriate; and</li> <li>• Determine whether the nature, extent and timing of the procedures are appropriate in the context of an AUP engagement and whether they are tailored to address specific needs.</li> </ul> <p>The inclusion of a section discussing the exercise of professional judgement in the revised ISRS 4400 would clarify any doubts over the role of professional judgement and reaffirm its current role in practice.</p> <p>1.4 However, it would be important to stress, in the revised ISRS 4400, the limited application of professional judgement in an AUP engagement. The performance of procedures and the reporting of findings should not involve professional judgement beyond that which is necessary to demonstrate professional competence and due care. As highlighted in the DP, the procedures should result in objectively verifiable factual findings and not subjective opinions or conclusions. Applying professional judgement to the reporting of findings would be akin to providing assurance which is inappropriate.</p> <p>1.5 The role of professional judgement throughout the engagement would have to be clearly articulated in revised ISRS 4400 to provide relevant guidance to practitioners.</p>
46.	KICPA	<p>We are with the Working Group in that professional judgment has a role in the context of performing the AUP engagement with professional competence and due care.</p> <p>The paragraph 12 and 13 describes that the AUP engagement would result in objectively verifiable factual findings, not subjective opinions or conclusions, but the demonstration of professional competence and due care by practitioners in the process of the AUP engagement is the exercise of minimum level of professional judgment in the AUP engagement, as we believe. Entrusting engagements to practitioners</p>

		<p>is based on one’s expectation of professional judgment to be exercised in the process of not only performing engagements but reaching a consensus on necessary procedures.</p> <p>In addition, even though AUP involves so many details that the procedures do not necessitate professional judgment, it would be practically impossible not to exercise professional judgment at all throughout engagements.</p>
47.	MICPA	<p>Yes, MICPA agrees that although the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions; professional judgment still has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care.</p>
48.	NASBA	<p>The role of professional judgment for a professional accountant engaged in public practice is critical to an AUP engagement. It is a responsibility of the practitioner to perform such an engagement with professional competence and due care, and the exercise of professional judgment is an important part of this responsibility. Professional judgment may be required, for example, when assessing whether the design and purpose of the AUP engagement are appropriate for the intended users in particular circumstances, and whether certain optional items should be included in the report. Furthermore, procedures in an AUP engagement should be substantive, meaningful and within the expertise of the practitioner. Procedures to be performed should result in reasonably consistent findings, and the specific subject matter to which the procedures are to be applied should be subject to reasonably consistent measurement. To achieve this, the practitioner should exercise professional judgment. Therefore, we believe that a requirement to apply professional judgment where appropriate should be included in the standard. However, we do agree with the Working Group’s statement that the result of performing an AUP engagement should be based on verifiable factual findings and not subjective opinions or conclusions.</p> <p>The US AICPA Standard on Agreed-Upon Procedures Engagements, AT Section 201.16 of Codification of Statements on Standards for Attestation Engagements provides that a practitioner should not agree to perform procedures that are “overly subjective and thus possibly open to varying interpretations”.</p>
49.	SAICA	<p>11. The vast majority of survey respondents (93%) agreed with the Working Group’s view that the exercise of professional judgement is never suspended in an AUP engagement, but that the exercise of professional judgement may be limited to its exercise in the context of professional competence and due care.</p> <p>12. Survey respondents that did not agree with the above view, indicated to the notion that depending on the nature of the AUP engagement, professional judgement would, in most cases be required at some level in conducting the engagement. AUP engagements are often generic in nature, particularly when requested by a regulator but since all clients’ businesses are unique, professional judgement would play a role in applying the required procedures that may not be perfectly aligned to the client’s business.</p> <p>13. Overall, SAICA agrees with the Working Group’s view that the exercise of professional judgement may be limited to its exercise in the context of professional competence and due care<sup>4</sup>. We believe that this is applicable to two stages of an AUP engagement namely, engagement acceptance and reporting.</p> <p>14. Suggestions were also made that the exercise of professional judgement may be relevant when performing the agreed procedures as it relates to considering the accuracy and completeness of the records, documents, explanations and other information obtained. Also refer to our comments included in paragraphs 95(g)(iii) of this document.</p> <p><sup>4</sup> Discussion Paper, paragraph 10</p>

		<p>15. The Discussion Paper is comprehensive in addressing the role of professional judgement in the reporting on factual findings and this has therefore not been expanded upon in this document<sup>5</sup>. The sub-section below provides additional considerations in relation to engagement acceptance.</p> <p>16. Furthermore, our consultations have indicated that the exercise of professional judgement is also applicable in assessing the competencies, capabilities and objectivity of a practitioner's expert, as well as evaluating the adequacy of that expert's work. This is expanded on in paragraphs 59 to 67 of this document.</p> <p>Engagement Acceptance</p> <p>17. The principle of professional competence and due care places obligations on the practitioner to maintain professional knowledge and skill at the required level and to act diligently in providing competent professional services<sup>6</sup>. This obligation is of particular relevance when a practitioner evaluates whether a request for an AUP engagement can be accepted or not.</p> <p>18. For assurance engagements, the Assurance Framework<sup>7</sup> includes a list of preconditions that must be satisfied before the practitioner can accept/continue an engagement<sup>8</sup>. These preconditions are expanded on in ISA 2109 in the context of an audit of financial statements.</p> <p>19. ISRS 4410 (Revised)<sup>10</sup> includes a specific list of items that need to be agreed upon with the client prior to accepting/continuing the compilation engagement.</p> <p>20. Extant ISRS 4400 does not include similar considerations in the context of preconditions or list of specific items to be agreed upon. This standard merely requires that the parties to the engagement have a clear understanding regarding the agreed procedures and the conditions of the engagement<sup>11</sup>.</p> <p>21. Although an AUP engagement is not an assurance engagement, recent developments around emerging forms of external reporting have advanced thinking with respect to the broader concept of enhancing credibility and trust in different subject matters and subject matter information, using different types of professional services (that do not necessarily involve an assurance engagement). Credibility may be enhanced by an AUP engagement in the context that the users of the practitioner's report and the related subject matter information will derive a level of comfort/ credibility from the work that was performed, who performed the work and the results of that work. To this end, there may be an opportunity to expand the concept of preconditions beyond that for assurance engagements and include preconditions for services other than assurance engagements, including AUP engagements.</p> <p>22. A matter/scenario that was raised during our consultations, was around whether a practitioner can accept an AUP engagement where the practitioner does not have the necessary professional knowledge and skills required, but is able to outsource the engagement to a third party who has the necessary professional knowledge and skills. There were conflicting views on whether this would be acceptable or not.</p> <p>23. The view for the acceptance of such an AUP engagement was that the practitioner is merely reporting on factual findings. To the extent that the practitioner is able to agree on the procedures to be performed, the terms of the engagement and report the procedures performed to enable the reader to understand the nature and extent of work performed, this would then be acceptable.</p> <p><sup>5</sup> Discussion Paper, paragraph 13</p> <p><sup>6</sup> Discussion Paper, paragraph 11</p>
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		<p>7 Amended International Framework for Assurance Engagements</p> <p>8 Assurance Framework, paragraph 22</p> <p>9 ISA 210, Agreeing the Terms of Audit Engagements, paragraph 6</p> <p>10 ISRS 4410 (Revised), Compilation Engagements, paragraph 24</p> <p>11 ISRS 4400, paragraph 9</p> <p>24. The view against the acceptance of such an AUP engagement was that the engagement lacks rational purpose and should therefore not be accepted.</p> <p>25. The evaluation of the above scenario would also require the consideration of relevant ethical and quality control requirements regarding the competence of the engagement team, including whether the practitioner (the engagement partner) is satisfied that those who are to perform the engagement (i.e. the engagement team) collectively have the appropriate competence and capabilities.</p> <p>26. Since extant ISRS 4400 does not provide for specific requirements and application material regarding precondition-type considerations, engagement level quality control and other engagement and acceptance considerations, the answer to this debate is not clear. It is therefore recommended that the revised standard specifically address such considerations.</p> <p>27. The inclusion of considerations such as those highlighted in paragraph 12 of the Discussion Paper would also serve to address some of the matters identified above.</p>
50.	SAIPA	<p>There was common agreement by SAIPA committee members that there is an expectation that the professional judgment is exercised in an AUP. However this applies to a limited extent the principle of professional competence as contained in the general principles paragraph 7(c) of ISRS4400 is sufficient as well as 7(f) Technical competence. We believe that reference to professional judgement and professional skepticism will lead to unintended expectations by the users of the AUP factual findings report expecting that audit or review like procedures have been carried out even though the report indicates that none were done. It is important that the standard which becomes the basis of the procedures carried out and reported upon clearly indicates that these are factual findings and nothing more. There is an inherent professional judgement and does not have to be proved. The burden of verifying factual findings can sometimes be very difficult hence the technical competence becoming very important.</p>
51.	SMPC	<p>We support the view of the Working Group on the role of professional judgment in an AUP engagement and that it should result in objectively verifiable factual findings and not subjective opinions or conclusions.</p> <p>However, there is a strong body of opinion to the effect that the IAASB should acknowledge more clearly the use of professional judgment throughout the performance of AUP engagements and that this does not of itself mean that assurance can be taken from the factual findings.</p> <p>We believe that professional judgment will consistently be required when undertaking an agreed-upon procedures engagement in complying with the fundamental ethical principles (e.g. IESBA Code of Ethics for Professional Accountants) and quality control requirements (e.g. ISQC 1 ), as well as agreeing the terms of engagement in discussion with the relevant parties. In some cases practitioners may also need to exercise judgment in determining an appropriate form of words for the report. These are also agreed with the relevant parties.</p>

		<p>There are variations in practice. The agreement of terms may be an iterative process and terms may change during the course of the engagement, provided they are for a rational purpose, and are not necessarily fixed at a given point in time. For example, refinements may be made to agreed sample sizes during the course of the engagement. In addition, client wishes may change and practitioners may advise on potential changes to the agreed terms. This is all part of agreeing the terms though. In other cases, AUP engagements involve procedures that are agreed in advance with a high level of specification, so agreeing the terms may not be an iterative process. In both these cases, practitioners do not use judgment in actually performing the agreed procedures.</p> <p>In addition, we understand there are engagements in certain jurisdictions in which only the nature of the procedures is agreed, but the practitioner uses professional judgment in determining the timing and extent of procedures. The practitioner’s report in such cases needs to include a clear description of how the procedures were performed and their nature and extent, so that the users are in position to draw their own conclusions from the practitioner’s findings as these are not then factual findings in accordance with ISRS 4400. The Working Group may wish to consider if, and how, ISRS 4400 could be revised to acknowledge the existence of, or accommodate, such engagements.</p> <p>It may also be helpful to differentiate between two further types of AUP engagements. The first is those which are negotiated directly between an entity and a practitioner, where the user is the entity. The second is typically governed by regulation, which requires an entity to obtain a report from a professional accountant in accordance with the regulation. The dynamics of these engagements are very different. In the first, the practitioner has more control over the procedures that are performed, compared to the second where the procedures and form of the report are typically directed by the regulations. Regulators may be very inflexible in terms of the procedures to be performed and report wording to be used and not open to suggestions by the professional accountant. The Working Group may benefit from considering its approach to AUPs from both perspectives, as the issues of one may not be relevant to the other.</p>
52.	WPK	<p>We do support the view of the AUP Working Group on the role of professional judgement in an AUP engagement:</p> <ul style="list-style-type: none"> <li>• As we understand the wording of the current ISRS 4400 the factual finding, i.e. the performance of the procedures agreed upon to obtain evidence as the basis for the AUP report, basically does not require the exercise of professional judgement.</li> <li>• However, the definition of the terms of the engagement (especially the identification of the financial information to which the agrees-upon procedures will be applied and the determination of nature, timing and extent of the specific procedures; ISRS 4400.9) as well as the planning (ISRS 4400.13) and the level of adequate documentation (ISRS 4400.14) of the engagement may require professional judgement of the public accountant.</li> <li>• Furthermore, during the conduct of the engagement the public accountant may encounter circumstances that impose the need to apply professional judgement. One example might be the case when the professional comes across an indication for (potential) non-compliance with laws and regulations (NOCLAR; IESBA Code of Ethics 225.39 et seq.). An-other example is how to treat deficiencies in the client’s internal controls system identified during the engagement, especially when they may have an effect on the conduct of the AUP engagement.</li> </ul> <p>As the Discussion Paper correctly states, AUP engagements are widely used in many jurisdictions, for various purposes, and sometimes combined to ‘hybrid engagements’ to meet emerging needs. Against this background there may be situations where the factual finding involves the exercise of professional judgement of the professional accountant.</p>
<b>Individuals and Others</b>		

53.	14000REGISTRY	Professional judgement and verifiable factual findings go hand in hand. Facts by themselves can be manipulated to present misleading results. Judgement by itself can be quite divorced from factual findings. The benefit of having a practitioner's involvement is that they bring judgement and experience to ensure the results are not false or misleading.
54.	ANA	<p>We fully support the view of the Working Group that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care.</p> <p>Professional judgment permeates the work of a practitioner for any assurance, non-assurance or multi-scope engagement.</p> <p>We wish to express our discomfort with the concept that the AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. The term "objectively verifiable factual findings" needs a definition. We see it as a relative term implying a spectrum (range) in which the objectively verifiable factual findings may fall.</p> <p>Every procedure or task performed by a practitioner may not be neatly labelled as "objectively verifiable" or "subjective". What is objective for one may not be so for the other in a given situation.</p> <p>We recognize the role of many inferences in AUP. We reject the notion of AUP report confined to the factual findings with no room for reasonable inferences.</p>