

# Supplement C 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 2

**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](#).

**Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?**

#	Respondent	Comments
<b>Those Charged with Governance</b>		
1.	IIA SA	No, issues relating to judgement could be dealt with in a separate report
<b>Regulators and Oversight Authorities</b>		
2.	EUROPEAN COMMISSION	Non, ISRS 4400 should not include any requirement related to professional judgement.
3.	IRBA	<p>2.1. Yes, as the consideration of professional judgment is not clear in the extant standard. We support the Working Group's view that professional judgment has a role to play in an AUP engagement, but may be limited in the context of professional competence and due care. We believe that professional judgment would be applicable when a practitioner is determining whether to accept or continue with the engagement and reporting thereon. However, what is of importance is how the guidance is included in the standard. If it is included in the requirement section of the standard related to work effort, this would – as mentioned in the DP – result in a subjective opinion being issued as opposed to objectively verifiable factual findings.</p> <p>2.2. Including guidance on professional judgment would:</p>

		<ul style="list-style-type: none"> <li>Strengthen the standard, resulting in the practitioner being more aware of his/her responsibilities when performing an AUP engagement;</li> <li>Have a positive impact on the quality of the AUP report; and</li> <li>Serve to enhance the protection of public interest.</li> </ul> <p>2.3. We recommend that the Working Group considers including some of the content of paragraph 12 of the DP in the standard.</p>
<b>National Auditing Standard Setters</b>		
4.	AASB-CNAC	<p>We propose two requirements relating to professional judgment be included in the revised ISRS 4400:</p> <ul style="list-style-type: none"> <li>The practitioner shall exercise professional judgment in the context of professional competence and due care in conducting an AUP engagement; and</li> <li>The practitioner shall obtain knowledge of the objectives of the AUP engagement.</li> </ul> <p>A requirement for the practitioner to exercise professional judgment in the context of professional competence and due care, together with examples on professional judgment as discussed in our comments on Q1, would help to clarify the role of professional judgment in an AUP engagement. A requirement for the practitioner to obtain knowledge of the objectives of the AUP engagement would assist the practitioner to conduct the engagement with due care. By having a knowledge of the objectives of the AUP engagement, the practitioner will, for example, be more likely to become aware of procedures that are inappropriate or other indications that the information with which the practitioner is associated may be misleading in the context of the AUP engagement.</p> <p>We did not identify any unintended consequences to the proposed requirements. In our view, the proposed requirements are consistent with the practitioner’s obligations under the Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements, which requires the practitioner to exercise professional judgment, and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), which requires the practitioner to exercise professional competence and due care.</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>We consider that there is no need to include requirements relating to professional judgment.</p> <p>However, we believe that professional judgment could be mentioned in the Introduction or in the application and other explanatory material paragraphs of the standard.</p>
7.	FAP	NO RESPONSE
8.	HKICPA	<p>It would be useful to clarify the intentions and expectations of the standard relating to professional judgement. In addition, the IAASB may wish to consider clarifying the level of "professional competence" required to avoid confusion. Given that the practitioner of an AUP engagement may not be the same as the auditor of the entity's financial statements, it may result in practitioners having different levels of "professional competence" e.g. In Hong Kong, professional accountants who are appointed as auditors of a company are required to hold a practicing certificate. It should be made clear in the standard whether professional accountants undertaking AUP engagements should have the same level of "professional competence" or qualifications as that of an auditor of an entity.</p>
9.	IDW	<p>On the basis of our response to question 1, yes, revised ISRS 4400 should include a requirement for the exercise of professional judgment in an agreed-upon procedures engagement – but only in relation to the bullet point list as noted above in our response to question 1. No professional judgment can be required for the performance of the procedures in the engagement because if such judgement were required, it would imply that the nature, timing and extent of those procedures are not sufficiently specified so that the performance of those procedures leads to factual findings. The only unintended consequences could be if – contrary to our recommendations – the IAASB were to require professional judgment for the entire engagement but the results of the performance of those procedures were to remain factual findings, which would be contradictory. Another potential consequence of requiring professional judgment for the entire engagement even if the result of the performance of the procedures were to be changed to “findings” is that the IAASB would be reducing the portfolio of potential types of engagement that practitioners would perform, as we had noted in our response to question 1. For these reasons it is important to not extend the exercise of professional judgment to the actual performance of the procedures in the agreed-upon procedures engagement.</p>
10.	JICPA	<p>We believe it is not necessary to include such requirements. Once included in the ISRS 4400 requirements, it may cause a rigid and wrong application in exercising the professional judgment. Therefore, we believe it is more appropriate to give an exposition in the introduction.</p>
11.	MAASB	<p>The AASB agrees that the revised International Standard on Related Services (ISRS) 4400, Engagement to Perform Agreed-Upon Procedures Regarding Financial Information should include requirements relating to professional judgement in the context of professional competence and due care. However, it should also be clarified that the practitioner is not responsible for the following:</p>

		<p>(a) Determining the sufficiency of procedures to be performed;</p> <p>(b) Performing risk assessment;</p> <p>(c) Evaluating the sufficiency and appropriateness of the evidence; and</p> <p>(d) Reaching any conclusion on the subject matter.</p>
12.	NBA	<p>Yes (for motivation see Q1). Some unintended consequences are:</p> <ul style="list-style-type: none"> <li>• The term 'professional judgment' is associated with assurance engagements. But 'professional judgment' is also used in Standard 4410.</li> <li>• The definition in the Glossary of terms is written for audits of historical financial information (and not for Standard 2400, 4410 or other engagements). We prefer to have a term that also fits to other assurance-engagements and related services. In Standard 4400N we solved this by giving examples of professional judgment in an AUP. For example: 'considering whether or not to withdraw from the engagement or amend it in the event of suspected fraud or non-compliance with legislation or regulations'.</li> </ul> <p>See Appendix 1, par. A10 Standard 4400N.</p>
13.	NZAuASB	<p>Professional judgement is intrinsic in all work performed by the practitioner regardless of the nature of the engagement. Accordingly, the NZAuASB does not believe that it is necessary to create a requirement that the practitioner exercise professional judgement.</p> <p>However, the NZAuASB is supportive of including context (possibly in the introductory section, or in application guidance at appropriate stages of a revised AUP standard) about the role of professional judgement in an AUP engagement, i.e. professional judgement is relevant in the scoping of the engagement and the identification and agreement of the procedures to be performed but not in performing or evaluating those procedures so as to avoid subjectivity. Such discussion or guidance would need to be carefully worded to ensure that practitioners do not believe this gives them the ability to issue an assurance opinion or conclusion, rather than a statement of objectively verifiable factual findings. There is already an expectation gap in the market around factual findings versus assurance, and any linking of the two concepts (even if unintended) could muddy the waters further.</p>
<b>Accounting Firms</b>		
14.	BDO	<p>We agree with the Working Group's proposal to include additional content on the role of professional judgment in the Introductory section of the revised standard. This guidance should include examples as described in paragraph 12 of the Discussion Paper as well as other relevant examples.</p> <p>We do not foresee any unintended consequences of providing such content. In addition, it is consistent with the requirements of the International Ethics and Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) for non-assurance engagements .</p> <p>We encourage the IAASB to continue to actively monitor the work being performed across IFAC standard setting boards as part of the Professional Skepticism Working Group (PSWG). As the Discussion Paper notes, currently there is no explicit reference to professional skepticism within ISRS 4400. However it will be of interest to see if the PSWG identifies or recommends a baseline of professional skepticism applicable to all practitioners.</p>

15.	CHI	The revised ISRS 4400 should include requirements relating to professional judgment. Any professional engagement requires the exercise of judgment. The revised ISRS could address the “degree of judgment” that has to be exercised, but judgment cannot be ignored.
16.	DTTL	As discussed in the Executive Summary, while DTTL agrees that the use of professional judgment is limited when performing an AUP engagement, it would be appropriate to reference in any revised standard, the appropriate use of such judgment in the context of professional competence, due care, and engagement acceptance. DTTL is not aware of any unintended consequences if the standard clearly articulates the manner in which such judgment comes into play.
17.	EYG	We do not believe that requirements relating to professional judgment are necessary to include in revised ISRS 4400. We agree with the Working Group’s suggestion to include a discussion in the introductory section that the role of professional judgment in an AUP engagement is in the context of professional competence and due care. We also believe that the uses of professional judgment and professional skepticism in an AUP engagement that we highlight in our response to Q1 could be included in the introductory section or relevant application material. We do not believe there are any intended consequences of doing so.
18.	GTIL	We would caution against including requirements regarding professional judgment or professional skepticism in a revised standard as this may put undue emphasis on this matter. However, given the subjective nature of the exercise of professional judgment and professional skepticism, we are of the view that guidance incorporating how both may be exercised in an AUP engagement would be helpful.
19.	KINGSTON SMITH LLP	Yes, we believe it would be helpful for requirements relating to professional judgement to be included in the revised version of ISRS 4400.
20.	KPMG	<p><i>Combined answer to question 1, 2 and 4</i></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, ISRS 4400 should include requirements relating to professional judgement, including professional skepticism.</p> <p>Professional judgment is necessary, particularly with regard to decisions on:</p> <ul style="list-style-type: none"> <li>• Nature, timing and extent: With reference to ISRS 4400, paragraph 9, “nature, timing and extent of specific procedures”. The practitioner’s work should be planned so as to enable the agreed upon procedures to be conducted in an efficient and timely manner. Plans should be based on an understanding of the client’s business and revised as necessary during the course of the engagement.</li> <li>• Measuring the quality, relevance and credibility of “evidence”, to form conclusions for the AUP report. The quantity and quality of evidence obtained is assessed using professional judgement. AUP evidence includes information contained in the accounting records, the underlying financial statements, and other information obtained from management. To assess if sufficient appropriate evidence was obtained and whether more needs to be done to achieve the objectives of ISRS 4400 and, therefore, the overall objectives, the practitioner must use professional judgment.</li> </ul> <p>We don’t believe that there are inherently any unintended consequences in addressing professional judgement.</p>
22.	PwC	<ul style="list-style-type: none"> <li>• Yes, we agree that the Board should look at the requirements to ensure they are not unduly restrictive in this context. In doing so, it will be important to be clear about the context in which professional judgement is referenced and that it would be expected</li> </ul>

		<p>when the practitioner is working with the entity and/or user to tailor the procedures so that they are fit for purpose. However, as noted above, once the procedures are defined, the practitioner would not apply professional judgement in the performance of the AUPs or the interpretation of the results of the AUPs in the same way that it is applied in an audit, review, other assurance engagement or consulting engagement. The procedures are not designed to provide a basis to form a conclusion.</p> <ul style="list-style-type: none"> <li>The practitioner does, however, exercise due care and competence in performing the procedures and so the existing requirement for the practitioner to comply with the ethical principles governing the practitioner's professional responsibilities for this type of engagement in the Standard is still relevant.</li> </ul>
23.	RSM	<p>While a discussion in the introductory section of a revised AUP standard explicitly linking the concepts of professional judgment included in the IESBA Code to the performance of AUP engagements would be useful, we do not believe that further requirements relating to professional judgement should be included in the revised standard.</p> <p>Beyond the linking between a revised AUP standard and the IESBA Code discussed in the preceding paragraph, adding additional requirements pertaining to the use of professional judgment in a revised AUP standard may very well lead practitioners to believing that professional judgment could be used in determining whether factual results were reported. However, we believe that a central tenet of an AUP engagement is for the practitioner to report all factual findings and results, without using a lens such as professional judgment.</p>
<b>Public Sector Organizations</b>		
24.	AUDIT NEW ZEALAND	Yes, we believe that ISRS 4400 should include requirements and/or guidance relating to professional judgement. However care needs to be taken in not requiring too much relative to the nature of the AUP engagement. The matters identified in paragraph 12 of the discussion paper seem appropriate.
25.	CIPFA	In line with our response to Q1, we consider that ISRS 4400 should contain requirements relating to judgment. Both to explain where it is necessary, and to limit the use of judgment in keeping with the performance of an Agreed Upon Procedures assignment.
26.	PAS	Yes, a statement that the role of professional judgment is necessary in the engagement in context of professional competence and due care would clarify the actions of the practitioner. We are not aware of unintended consequences.
<b>Member Bodies and Other Professional Organizations</b>		
27.	ACCA	ACCA supports the inclusion of requirements relating to professional judgement, restricted to the matters addressed in paragraph 12. Introducing requirements relating to professional judgement that are too broad may have unintended consequences. For example, practitioners may find themselves unable to accept certain AUP engagements that are specified in law, should these conflict with more wide-reaching professional judgement requirements.
28.	AE	(17) There is a need to include requirements relating to professional judgement but we caution against the inclusion of a prescriptive requirement on professional judgement in the standard. It should be adaptable to the circumstances of the AUP engagement (reference to the spectrum as detailed in our response to question 1).

29.	AICPA	We believe that revised ISRS 4400 should include a requirement that the practitioner exercise professional judgment in planning and performing an AUP engagement. We are not aware of any unintended consequences of doing so.
30.	ASSIREVI	We believe that ISRS 4400 should not include requirements relating to professional judgment so avoiding users might assume that factual findings reported imply a certain degree of assurance.
31.	CAANZ	There is not much need for the revised ISRS 4400 to either describe or prescribe matters regarding professional judgment. On the other hand, introducing professional judgment into AUP engagements will only exacerbate expectation gap issues. It is therefore our view that the types of procedures performed in an AUP engagement do not require the exercise of professional judgement as that is not the nature of the engagement.
32.	CAI	The Institute's view is consistent with the Working Group: we consider that a discussion in the introductory section of the revised AUP standard that the role of professional judgment in an AUP engagement is in the context of professional competence and due care should help clarify the actions of the practitioner when performing an AUP engagement.
33.	CPAA	<p>We suggest that professional judgement is addressed in revised ISRS 4400 as this will help to provide clarity around the difference between an AUP and an assurance engagement. ISRS 4400 could deal with professional judgement in a similar way to the Australian Standard ASRS 4400, Paragraph 25, as quoted in response to question 1 above.</p> <p>ASRS 4400 remains silent on the use of professional judgement in accepting the engagement, thereby not preventing the exercise of professional judgement during the acceptance procedures to enable the practitioner to assist the engaging party in scoping an AUP engagement which has a rational purpose and is likely to meet the needs of the users, as well as in making an assessment of whether the practitioner has the necessary capabilities and competence and will be able to meet the agreed level of independence.</p> <p>We do not foresee any unintended consequences if professional judgement is excluded from the conduct of the engagement. This approach has been implemented successfully in Australia since July 2013 when ASRS 4400 was issued. However, we do see unintended consequences of allowing professional judgement to be exercised during the course of an AUP, as the difference between an AUP and an assurance engagement becomes blurred and the point at which professional judgement may no longer be exercised becomes unclear.</p>
34.	EFAA	<p>As we explain in our response to Q1 above, while professional judgement cannot be required for the actual performance of the procedures so long as the factual findings are to be reported, we do concur with the Working Group's proposal of an introductory paragraph along the lines suggested. However, this should only include a requirement for the exercise of professional judgment in relation to the matters stated above. We also see little value, and possibly unintended negative consequences, of further explanation.</p> <p>We support the Working Group monitoring the project on professional skepticism. While the present definition of professional skepticism means that it cannot be exercised in an AUP engagement, if the project on professional skepticism were to change the definition and general applicability of professional skepticism then this might impact AUP engagements.</p>
35.	FACPCE	We believe that the revised ISRS 4400 does not need to include requirements related to professional judgment. The ISRS 4400 requires compliance with the Code of Ethics (IESBA)
36.	FAR	See answer above to Q1.

37.	FSR	There is a need to include requirements relating to professional judgement, but it is important that the professional judgement is tailored to the subject matter and users of the AUP engagement. In certain circumstances, it is important that there is no room for professional judgement and in others, it is important for the user of the factual findings report that professional judgement is used.
38.	IBR-IRE	As indicated in our answer to question 1, we do not believe that professional judgment should be discussed in any way in the standard. Only professional competence and due care are to be required.
39.	ICAEW	11. In principle, we would not object to an introductory paragraph in the standard along the lines suggested by the Working group. We would caution against the inclusion of a more prescriptive set of requirements in the standard on professional judgement, however, as we believe that this could lead to the standard being too restrictive and practitioners unable to perform some engagements or to expectation gaps among those parties requesting AUP reports about the level of professional judgement exercised.
40.	ICAG	A2. No, we think the current references to professional competence and due care appear to cover professional judgment. Exercising professional judgment will result in an opinion or conclusion, which is not what an AUP seeks to achieve. The trend is to move towards a more principles based approach and therefore the requirement to comply with IESBA's code of ethics for professional accountants which includes a number of standards including the exercise of professional competence and due care seem sufficient. The exercise of these results in professional judgment. We do not think spelling out certain requirements would be a good idea as there is the potential for individuals to pick and choose. The IESBA does a good job of spelling out in detail the examples and requirements accountants are to follow. We are however amenable to including in the introduction of the revised AUP standard, a reference to the fact that professional judgment is covered in professional competence and due care in IESBA.
41.	ICAS	We believe that revised ISRS 4400 should include requirements relating to professional judgement but recommend that these are sufficiently flexible to be adaptable according to the specific nature of the engagement. We would also re-emphasise the statement in our response to question 1 that we believe that the factual findings reported should not be based upon any subjective opinions or conclusions.
42.	ICASL	As an AUP engagement is for the purpose of reporting factual findings, by incorporating professional judgement and skepticism, the resulting report is moving more towards an assurance engagement and overriding benefits of an AUP.
43.	ICAZ	Yes, the revised ISRS 4400 should include requirements relating to professional judgment. However, these should be limited to the practitioner's exercise in the context of professional competence and due care. Possible unintended consequences could be the creation of an expectation gap between the user of the AUP report and the actual professional judgement exercised by the practitioner. Users of the AUP report could perceive that the practitioner used more professional judgment than what is required of an AUP engagement. We do not see merit in requiring the practitioner to exercise professional judgment in conducting an AUP engagement, similar to the approach taken in ISRS 4410. The compilation engagement requires the practitioner to exercise professional judgement throughout the performance of the compilation engagement. As discussed in question 1 the AUP engagement does not require the practitioner to exercise professional scepticism to such a great extent.

44.	ICPAU	<ul style="list-style-type: none"> <li>• Yes.</li> <li>• No unintended consequences</li> </ul>
45.	ISCA	NO RESPONSE
46.	KICPA	<p>We believe that the revised ISRS 4400 include requirements relating to professional judgment. The inclusion of requirements that professional judgment has a role in the context of practitioners performing the AUP engagement with professional competence and due care could provide a basic guidance as to the extent to which practitioners should exercise professional judgment.</p> <p>However, the inclusion of excessive requirements on professional judgment in ISRS 4400 could invite an unintended consequence that AUP users and practitioners should exercise professional judgment to the equivalent level required in audit. Considering the consequence, it would be necessary to provide clear-cut definitions and specified explanations of professional judgment, separate from ones in ISAs, to clarify that ISRS 4400 requires a minimum level of professional judgment in the context of performing the AUP engagement with professional competence and due care, and then to prevent from being mistakenly believed that professional judgment in AUP engagement offers subjective opinions or conclusions.</p>
47.	MICPA	The Institute agrees that revised ISRS 4400 should include requirements relating to professional judgment and some unintended consequences are expected.
48.	NASBA	We do not anticipate any unintended consequences of including requirements relating to professional judgment in ISRS 4400; however, the standard should avoid using terms that imply subjectivity in describing the procedures and forming conclusions (i.e., avoid the use of subjective words such as “reasonable”, “material”, etc., as discussed later in the Paper).
49.	SAICA	<p>28. 69% of the survey respondents agreed that revised ISRS 4400 should include requirements relating to professional judgement. 42% of the survey respondents in favour of the inclusion of requirements relating to professional judgement further indicated that there could be unintended consequences.</p> <p>29. Possible unintended consequences highlighted by the survey respondents include:</p> <ol style="list-style-type: none"> <li>a. The practitioner may have obtained evidence through the performance of other professional services to the client and, although not within the scope of the AUP engagement, this other evidence may appropriately or inappropriately factor into the professional judgement of the practitioner in formulating the factual findings and preparing the AUP report;</li> <li>b. Professional judgement by its very nature is subjective. This could prompt a move away from the reporting of objectivity verifiable factual findings;</li> <li>c. Professional judgement could be misinterpreted by the users of the practitioner’s factual findings report if not properly contextualised and explained in the report (i.e. they may derive a level of comfort / credibility from the report that is not appropriate in the context of the practitioner’s objectives in an AUP engagement);</li> <li>d. Applying professional judgement may in certain instances result in the practitioner having to consider the need to perform additional procedures, which deviates from performing only the agreed-upon procedures and may raise questions regarding the interpretation of the factual findings which are supposedly linked to the agreed-upon procedures. Furthermore, additional procedures may translate into additional costs to the client;</li> </ol>

		<p>e. Requirements relating to professional judgement may drive the wrong behaviour in that it could create an expectation for the practitioner to go beyond the intentions / needs of the requesting party as reflected in the agreed-upon procedures.</p> <p>30. One benefit that can be seen from the inclusion of requirements relating to profession judgement is that it will place an obligation on the practitioner to consider whether the AUP engagement should in fact be accepted, taking into account any preconditions that may have to be met, as well as emphasising the importance of considering relevant ethical requirements of professional competence and due care in ensuring that a competent professional service is provided.</p> <p>31. SAICA believes that professional judgement has a role to play in an AUP engagement. Although some unintended consequences have been identified, these could be mitigated by properly scoping the exercise of professional judgement for an AUP engagement. Therefore, requirements relating to profession judgement should be included in the revised ISRS 4400, but it should be limited. Also refer to our comment in relation to question 1, above.</p> <p>32. Even if the Working Group decides that there is merit in addressing professional judgement in terms of conducting the AUP engagement, similar to the approach taken in ISRS 4410 (Revised)<sup>12</sup>, the identified unintended consequences should be borne in mind in terms of being specific in relation to which matters / aspects of the engagement should or could appropriately require the exercise of professional judgement.</p> <p>33. Lastly, professional judgement factor into reporting in terms of ensuring that the practitioner's report describes the purpose and work effort of the AUP engagement appropriately and in sufficient detail to enable the reader to understand the nature and extent of the practitioner's involvement and the factual findings.</p>
50.	SAIPA	SAIPA's view is that there should be no reference to professional judgement in order to avoid any unintended consequences on the reliance of the AUP report.
51.	SMPC	<p>As noted in our response to question 1, professional judgment cannot be required for the actual performance of the procedures as long as the factual findings (as defined) are to be reported. We do not object to the Working Group's proposal of an introductory paragraph along the lines suggested. However, we believe this should only include a requirement for the exercise of professional judgment in relation to the matters stated above.</p> <p>There is a risk that new requirements may have a material impact on the scope and deliverables of AUP engagements and this would need to be further investigated.</p> <p>We support the Working Group monitoring the developments on professional skepticism. Given the current definition of professional skepticism in ISA 200 (para.15) and ISAE 3000 (para.37), 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, that involves being alert to conditions indicating possible misstatement and a critical assessment of evidence, for which the exercise of professional judgment is necessary, but 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> <p>It is important for practitioners to remain aware however throughout any engagement of the importance of not being associated with misleading information in accordance with the requirement of professional ethics. This will involve the use of judgment throughout the engagement.</p>

52.	WPK	<p>Currently we do not see a compelling need to include a requirement relating to professional judgement in ISRS 4400. We think that such a requirement won't make a material difference to the way AUP engagements are conducted in practice but will lead to questions in the end. In this con-text we believe current ISRS 4400 to be sufficiently flexible to cover various 'engagement conditions' and user needs.</p> <p>On the other hand, if users of ISRS 4400 require a message regarding the exercise of professional judgement, a statement as in ISRS 4410, paragraph 22 ('The practitioner shall exercise professional judgement') does not seem harmful, even though there is not much guidance in this.</p> <p>But we ask the IAASB to rethink the inclusion of a long-winded 'discussion' and to refrain from explanation such as 'the role of professional judgement in an AUP engagement is in the context of professional competence and due care'. Such a statement is unclear and open to various interpretations. In this context we would very much appreciate it, if IAASB – in case of including require-ments relating to professional judgement – refrained from introducing the undefined terminology 'sound judgements' in order to explain the term 'professional judgement'.</p>
<b>Individuals and Others</b>		
53.	14000REGISTRY	<p>We believe that professional judgement will be increasingly required to appropriately conclude on a given set of facts. For example, when a practitioner is asked to evaluate whether an entity's internal controls are properly designed to mitigate a particular risk, professional judgement is required to form an opinion. However, minimal professional judgement would be required to simply form an opinion on the factual results of testing relevant controls. The danger here is that without an assessment that determined that the controls were designed properly, the value of a positive report on testing poorly designed controls would be very misleading.</p> <p>Conceivably, the test for the use of professional judgement would be whether sufficient evidence is available to enable another AUP practitioner having no previous connection with the engagement, to understand the nature and results of work performed, and provide an objective evaluation, on the significant judgments made and conclusions reached.</p>
54.	ANA	<p>Yes. Require professional judgement for all engagements including the revised ISRS 4400.</p> <p>How the professional judgment is applied by a practitioner in a particular instance may be a challenging matter.</p>