

# Supplement D 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 3

**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](#).

**Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?**

#	Respondent	Comments
<b>Those Charged with Governance</b>		
1.	IIA SA	Consideration should be given to the independence of the internal auditor under the IIA standards, which would be different to that of an external auditor. The report distribution should be restricted to specific users for whom the procedures have significance.
<b>Regulators and Oversight Authorities</b>		
2.	EUROPEAN COMMISSION	As a consequence of the fact that professional judgement should be limited in AUP, the Practitioners' independence for AUP is of relevance in relation to the due care only. A revision of the concept of conflict of interests in performing an assurance engagement and an AUP engagement to the same entity should be envisaged, in order to replace an absolute prohibition with a reasoned educated decision, depending on the concrete terms of reference of the two assignments.
3.	IRBA	3.1 We are of the view that independence is not necessary in an AUP engagement as the practitioner does not apply professional judgment in performing the procedures. We support the Working Group's recommendation that the requirement that the practitioner should include a statement in the AUP report, if he/she is not independent, as per the extant standard, is sufficient.

		<p>3.2 Further, we recommend that the Working Group explores any possible circumstances related to independence under which an assignment should not be accepted.</p> <p>3.3 Our views remain the same if the AUP report is restricted to specific users.</p>
<b>National Auditing Standard Setters</b>		
4.	AASB-CNAC	<p>In our view, the practitioner's independence should be addressed in the IESBA Code or ethical requirements relevant to the jurisdiction, and not in an engagement standard. Including independence requirements in the AUP standard may result in confusion and potential inconsistencies with the IESBA Code or ethical requirements applicable in a particular jurisdiction (for example, there are already independence requirements relating to AUP engagements in various provincial Code of Professional Conduct in Canada).</p> <p>We further note that the IESBA Code already requires the practitioner to be objective (although not independent) when performing a non-assurance engagement. In our view, the objectivity requirement is sufficient to provide users with the necessary confidence that the practitioner has acted objectively without bias, conflict of interest or the undue influence of others in undertaking the AUP engagement.</p> <p>However, when the practitioner is not independent, we believe it would be helpful to require this to be communicated in the practitioner's report. For example, requirements for a statement to be made in the AUP report if the practitioner is not independent (as set out in existing ISRS 4400) and for the engagement letter to indicate that the AUP report will include such a statement.</p> <p>We also support including application and other explanatory material in the AUP standard to address the circumstance where the user may require, or presume, the practitioner to be independent (and not just objective). For example, an application and other explanatory material paragraph to explain that the terms or objectives of the AUP engagement, laws or regulation, or relevant ethical requirements may require the practitioner to comply with independence requirements even though the IESBA Code does not require the practitioner to be independent when performing a non-assurance engagement (as set out in existing ISRS 4400).</p> <p>Our views would not change if the AUP report is restricted to specific users.</p>
5.	AUASB	<p>The AUASB is of the view that the assurance practitioner, when carrying out procedures of an assurance nature and reporting factual findings, needs to either be independent or to have agreed modified independence requirements with the engaging party and both agreed and disclosed those modified independence arrangements with intended users.</p> <p>The Australian Standard on Related Services, ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings requires the assurance practitioner to maintain independence equivalent to the independence requirements applicable to Other Assurance Engagements and to disclose in their report if modified independence requirements are agreed.</p> <p>ASRS 4400, paragraph 17 When conducting an agreed-upon procedures engagement, the assurance practitioner shall comply with ethical requirements equivalent to the ethical requirements applicable to Other Assurance Engagements*, including those pertaining to independence, unless the engaging party has explicitly agreed to modified independence requirements in the terms of the engagement. If modified independence requirements have been agreed in the terms of the engagement, the level of independence applied shall be described in the report of factual findings.</p>
6.	CNCC-CSOEC	<p>As stated in the paragraph 16 of the Discussion paper, the IESBA Code requires practitioners to be objective, but not independent, when performing non-assurance engagements such as AUP engagements.<sup>1</sup> Being objective obliges practitioners to not compromise their</p>

		<p>professional judgment because of bias, conflict of interest or the undue influence of others. Independence goes therefore beyond objectivity and comprises both Independence of mind<sup>2</sup> and independence of appearance<sup>3</sup></p> <p>Concerning our view regarding practitioner independence for AUP engagements, we agree with paragraph 7<sup>4</sup> of ISRS 4400 that independence is not a requirement for agreed-upon procedures engagements. However we consider that the last sentence of paragraph 7, i.e. <i>“where the auditor is not independent, a statement to that effect would be made in the report of factual findings”</i>, may create an ambiguity, since it is unclear whether an explicit statement is required when the practitioner is not independent. We consider that this ambiguity should be removed.</p> <p>Based on these elements and since independence is not required to perform an AUP engagement, we consider that the standard should not require the AUP report to mention that the practitioner is not independent when it is so.</p> <p>However, in certain circumstances, either the engaging party or the intended user (such is the case of the European Commission for FP7 engagements) may require the practitioner to be independent. Therefore, the standard should not preclude such statement in the AUP report. Moreover, the framework upon which independence is assessed should be stated.</p> <p>Our views will not change the AUP report is restricted to specific users.</p>
7.	FAP	NO RESPONSE
8.	HKICPA	<p>Given that an AUP engagement is not considered a "prohibited service" under the IESBA Code and that the nature of the engagement would not impair the practitioner's independence, we support the Working Group's position to retain the existing approach in ISRS 4400 requiring a statement in the report of factual findings where the practitioner is not independent. The Working Group would need to consider the costs and benefits of imposing independence requirements for an AUP engagement.</p>
9.	IDW	<p>Before we respond to this question, we would like to clarify that in our jurisdiction, with a few kinds of exceptions, all of our members are required to be professional accountants in public practice by law, and they are always required to be independent, but that does not mean that they are subject to independence requirements for all professional services as stringent as the independence requirements that apply to audits and other assurance engagements. However, a comparison of the independence requirements for our members not performing audits or other assurance engagements shows that these are generally covered in Part B of the Code applicable to professional accountants in public practice, such as in Section 220 on Conflicts of Interest, Section 240 on Fees and Other Types of Remuneration, and Section 280 on Objectivity – not in the requirements in the Code for independence for audits or other assurance engagements. We therefore recognize that in other jurisdictions and under the IESBA Code of Ethics (hereinafter the “Code”), professional accountants in public practice are not required to be independent for every kind of professional service provided as defined in the Code. Consequently, we also recognize that it may not be appropriate for independence to be required for all professional services provided by professional accountants in public practice at an international level.</p> <p>Even if the IAASB were to take the view that independence ought to be required for agreed-upon procedures engagements, it automatically raises the question as to what “kind” of independence. The independence requirements under the Code for audits of financial statements are different from those for other assurance engagements. Does this mean that when the matter being subjected to an agreed-upon procedures engagement is historical financial information, the independence requirements for audits would apply and that otherwise the independence requirements for assurance engagements would apply? Or should a completely different kind of independence apply?</p>

		<p>It seems to us that the issue of whether independence ought to be required at an international level ought to be determined by definition of independence of mind under the Code and the nature of an agreed-upon procedures engagement.</p> <p>In the following analysis, we analyze only the applicability of independence of mind, since independence in appearance under the Code only relates to the appearance of independence of mind: if independence of mind is not applicable, then independence of appearance cannot be applicable.</p> <p>Independence of mind is defined by the Code as “a state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.” This implies that independence of mind is a means to an end: the end being exercising professional judgment with objectivity, integrity and professional skepticism when expressing conclusions. First, as we note in our response to question 1, professional skepticism as currently defined is not applicable to an agreed-upon procedures engagement. Second, we note that independence of mind serves the application of the fundamental principles of objectivity and integrity when expressing conclusions. While under the Code objectivity and integrity apply to all professional activities of professional accountants, currently only in assurance engagements as defined by the IAASB (ISAs, ISREs and the ISAEs) do they “express conclusions” (i.e., assurance conclusions or “opinions” under the ISAs, which are a form of assurance conclusion). In an agreed-upon procedures engagement under current ISRS 4400, practitioners only provide “factual findings” – they do not “express conclusions”. Consequently, independence of mind as currently defined by the Code cannot apply to agreed-upon procedures engagements as currently defined.</p> <p>Extending independence of mind to agreed-upon procedures would involve changing the current definition of independence of mind, but it also would involve changing the nature of an agreed-upon procedures engagement so that it involves some kind of expression of “conclusions” or “findings” beyond factual findings, since performing procedures to obtain factual findings, as noted in our response to question 1 does not involve the exercise of professional judgment. As we have noted above in our response to question 1, we do not believe it would be appropriate to change the nature of agreed-upon procedures engagements such that they involve the provision of findings beyond factual findings. For these reasons, we do not believe it to be appropriate to seek to have independence of mind required for agreed-upon procedures engagements.</p> <p>However, this would not preclude the IAASB from exploring and consulting with the IESBA to determine whether the ethical requirements in Part B of the Code relating to, for example, conflicts of interest, fees, and objectivity might be strengthened for agreed-upon procedures engagements.</p> <p>We surmise that some respondents may suggest that independence ought to be required for agreed-upon procedures engagements because they misunderstand the nature of independence of mind as defined or the nature of agreed-upon procedures engagements. Some others may have agreed-upon procedures engagements in mind as defined by AICPA standards, which involve findings beyond factual findings. We believe it is incumbent upon the Wording Group and the IAASB to recognize the context in which some respondents might be providing the comments when evaluating their responses.</p> <p>We note that the Code does not require independence for compilation engagements, but does require it for assurance engagements – in both cases regardless of whether or not the reports are restricted. On this basis it seems to us that the issue of whether or not a report is restricted ought to have no impact at all on whether or not independence is required. Consequently, independence ought to be required only when it is a necessary condition for performing the service per se – not based on the restriction, or lack thereof, of the report.</p>
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10.	JICPA	<p>Considering the nature of engagements that do not provide conclusions or assurances, we believe it is unnecessary to require independence. Because such view originates from the characteristics of engagements that do not provide conclusions or assurances, restriction of the AUP report to specific users will not change our views.</p> <p>Furthermore, although independence is not required in the Professional Guidelines 4400, it seeks that a practitioner declares his/her independence in the AUP report in an instance where such practitioner has agreed to perform the AUP engagement in compliance with the independence requirements.</p>
11.	MAASB	<p>The AASB is of the view that the independence of a practitioner enhances the credibility and confidence to the work performed in an AUP engagement and the AUP report. Nevertheless, in certain situations, especially when there is little or no professional judgement exercised in performing an AUP engagement for the specific use of limited users, it may be sufficient for practitioners to state in their AUP report in cases when they are not independent. Hence, the AASB is agreeable with the current position of the Working Group that the existing approach in ISRS 4400 of requiring a statement in the AUP report where the practitioner is not independent strikes the right balance.</p> <p>The AASB's view will not change if the AUP report is restricted to specific users.</p>
12.	NBA	<p>We agree that independence is not a requirement for an non-assurance engagements (AUP and compilation engagements), only objectivity is required. Because an AUP engagement is intended for specific users, it is possible for them to judge the objectivity of the practitioner. Also they can agree for independence to be a part of the engagement when they view independence as adding value.</p> <p>We have a different view with the statement in the report where the practitioner is not independent in case independence is not agreed. First of all, it seems strange to report about non-independence when this is not a requirement. Particularly in an AUP engagement the practitioner has the opportunity to discuss this with the intended users before he starts to perform the engagement. Secondly, there is a practical objection. If the practitioner needs to find out whether he is independent or not, he has to check Section 290 'Independence' of the Code of Ethics, even in the case when he does not have to comply. We consider this to be an unnecessarily and unwanted threshold for an AUP engagement.</p> <p>Instead we believe that it is sufficient to discuss the objectivity and independence upon the agreement of terms. An alternative for a statement in the report is by mentioning that independence is not a requirement at a AUP-engagement.</p> <p>See Appendix 1, paragraph 17 to 19 inclusive, 27h, 27i, 34h.</p>
13.	NZAuASB	<p>The NZAuASB strongly supports the need for the practitioner performing an AUP engagement to be independent. Independence enhances the value and credibility of an AUP engagement.</p> <p>Even though the AUP engagement is a two-party engagement, between the practitioner and the engaging party, the demand for AUP engagements is increasing and parties other than the client may seek AUP, for example regulators requiring access to the report from an AUP engagement or the client wanting to publish the results of the engagement or provide the report to other parties that are not signatories to the engagement letter. Such circumstances may increase the risk that an AUP report may end up in the public domain and may be used, by other than the two-parties to the engagement, in a broader context than such report was designed to be used. In these circumstances, it is critical that AUP engagements stand up to the scrutiny associated with the public eye, including that the practitioner is independent in fact and appearance.</p> <p>However, the NZAuASB acknowledges that there may be limited instances where a client does not require the practitioner to be independent. When this is the case, if the report is distributed only to those users who designed the procedures, and those users</p>

		<p>acknowledge that they did not require independence and were aware of the reasons a practitioner was not independent, a statement in the AUP report is an appropriate way to manage the issue. However, it would never be appropriate for a practitioner to both prepare information as well as provide factual findings about that information.</p> <p>It may be useful for the IAASB to further understand the current and potential use of AUP engagements to fully analyse if and when independence is required.</p> <p>The NZAuASB's view does not change if the AUP report is restricted to specific users, as those reports may, in practice, still be used by those that are not party to the report.</p>
<b>Accounting Firms</b>		
14.	BDO	<p>Independence is an important principle in performing assurance engagements. However, AUP engagements are considered non-assurance engagements. The IESBA Code includes the requirement for the practitioner to be objective when performing non-assurance engagements which involves the practitioner acting without bias, conflict of interest or the undue influence of others . We believe this requirement is sufficient when performing AUP engagements. If local jurisdictions choose to set independence requirements with respect to AUP engagements, that is their prerogative. Further, we support the current requirement to include a statement that the practitioner is not independent when applicable in the AUP report and the engagement terms. When the practitioner and/or the firm is also involved in assurance work for the same entity, this would mean that the practitioner will comply with applicable independence rules. In that case, the practitioner should determine that the AUP engagement does not conflict with the independence rules for the assurance engagement (i.e. the AUP engagement does not create independence threats that cannot be safeguarded). We advise to add this as a requirement in ISRS 4400.</p> <p>This view would not change even if the AUP report is restricted to specific users.</p>
15.	CHI	<p><b>In most AUP engagements the practitioner should be independent;</b></p> <p>In most cases, there should be an expectation that the practitioner performing an AUP engagement is independent. In situations where the AUP report is prepared for a small group of specific users, then formal independence can be deemed to be less of an issue. However, in these cases the AUP report should disclose that the practitioner is not independent.</p>
16.	DTTL	<p><b>Appropriate consideration of the practitioner's independence is warranted; however independence requirements should be established by the International Ethics Standards Board for Accountants (IESBA) and as such, consideration of independence matters will require coordination between the IAASB and IESBA. Professional judgement on objectivity and independence are important in this area and may depend on facts and circumstances, including consideration of users of the report.</b></p> <p>Given the nature of AUP engagements, DTTL believes it is important that the practitioner not be viewed as being influenced by any relationship with the client and specified parties, and that appropriate independence requirements would provide for the practitioner to execute an AUP engagement in an unbiased and honest manner.</p> <p>Accordingly, DTTL believes that consideration should be given to including appropriate independence requirements in the revised standard on AUP engagements for both financial and non-financial information, in particular, given that the use of reports arising from AUP engagements by third parties is much broader today than when ISRS 4400 was originally issued. Given that independence requirements are established by IESBA, the IAASB will need to liaise with IESBA on these issues. Extant ISRS 4400 does not require</p>

		<p>independence, but does require the report to include a statement that the practitioner is not independent if this is the case. This approach may well continue to be appropriate for situations where the report is used mainly by management or those charged with governance; given that these parties will be well placed to consider and assess threats to the practitioner’s objectivity. However, as AUP reports are increasingly being used or provided to third party users who will have less familiarity with the circumstances of the engagement and the possible threats to objectivity, consideration could be given to requiring independence for these engagements. However, it may be appropriate for narrower requirements to be established for AUP engagements than those applicable to audits or assurance engagements. For example, the Working Group might explore the requirements for independence with respect to AUP engagements in a similar manner to which they are dealt with for such engagements performed under the AICPA Attestation Standards in the US, which narrow the population of practitioners for which independence is required.</p> <p>DTTL’s views would not change if the report is restricted to specific users.</p> <p>DTTL also believes that similar to the extant requirement in ISRS 4400, an AUP report on non-financial information should be restricted to the parties who have agreed to the procedures.</p>
17.	EYG	<p>We believe the current requirements in ISRS 4400 related to the practitioner’s compliance with relevant ethical requirements are appropriate for an international standard for AUP engagements. That is, compliance with the International Ethics Standards Board of Accountant’s (IESBA) Code of Ethics (or local equivalent) except with regard to independence should be required, and if the practitioner is not independent, a statement to that effect should be required to be included within the AUP report.</p> <p>Although we appreciate that certain jurisdictions do require independence (of at least the practitioner if not always the firm) for AUP engagements, we believe it is appropriate for the decisions regarding independence to be left to individual jurisdictions, including law or regulation that may govern particular AUP engagements. Our view is due to the fact that an AUP engagement is designed to fulfill a specific purpose for specific users and accordingly, the nature of AUP engagements can vary widely within and across jurisdictions. We believe creating an independence requirement in the international standard for such engagements could have unintended consequences and that there would need to be a compelling reason to make such a change, including evidence that a lack of independence has negatively affected the quality of AUP engagements in many instances. We are not aware that this is the case.</p> <p>Our view is dependent upon the AUP report being restricted to specific users that are identified in the terms of the engagement and named in the AUP report. If the IAASB should consider lifting the restrictions on the use of the report as part of its revisions to ISRS 4400, then the requirements related to independence would need reconsideration. We, however, do not support lifting such restrictions as expressed in our response to Q10.</p>
18.	GTIL	<p>We understand the benefit to, and desire of, stakeholders for independent practitioners to be engaged to perform AUP engagements, especially when such engagements are at the request of governments or other local or national authorities. However, we believe that to require the practitioner to be independent in order to perform an AUP engagement would not be in the public interest. It may lead to a reduction in competition by essentially preventing certain practices from being able to perform these services.</p>

		<p>We are of the view that it would be appropriate to align the independence requirements in ISRS 4400 with those of ISRS 4410 (Revised), Compilation Engagement, which does not require the practitioner to be independent to perform such an engagement unless the national rules of conduct have differing requirements.</p> <p>Irrespective of whether the distribution of the report is restricted, we agree with the position presented in the Discussion Paper that the existing approach in ISRS 4400 of requiring a statement that the practitioner is not independent does strike the right balance. However, we are also of the view that ISRS 4400 should require that the statement include the nature of the matter or relationship that causes the practitioner not to be independent and that the statement has the appropriate prominence within the AUP report.</p>
19.	KINGSTON SMITH LLP	<p>We agree that performing an AUP engagement should not necessarily preclude the practitioner from performing an assurance engagement for the same client. In the UK it is normal for AUP engagements in respect of grants or funding to be performed by the entity's auditor.</p> <p>On balance we agree that the IAASB should not mandate the practitioner performing an AUP engagement to be independent of the entity on which the procedures are being performed, although in our opinion it is preferable that the practitioner should be independent. The existing statement in the report of factual findings where the practitioner is not independent should be retained.</p>
20.	KPMG	<p>We recognize that some stakeholders believe that an independence requirement would add value to AUP engagements. Given that these engagements are designed to address the specific needs of users, we do not support requiring independence for all AUP engagements. Instead, we support an approach which allows for flexibility based on transparency and user requirements such as the EC Program Horizon 2020 cited in the DP, which requires the practitioner providing factual findings to be independent. In the absence of specific user requirements, we believe practitioners should continue to be required to disclose the fact that they are not independent in their reports when relevant.</p> <p>We therefore agree with the IAASB that the current requirements of the Standard provide the right balance between the value of independence to some users and an unnecessarily restrictive requirement for others and do not believe the existing approach in the Standard requires any changes.</p>
21.	PKFI	<p>Although we encourage practitioner independence in all engagement we do not see this as a critical requirement when accepting an AUP engagement. Being objective is critical.</p> <p>We believe that independence should be dealt with in the IESBA Code of Ethics. References from this Standard to the ethical requirements of the Code should be sufficient and will prevent unnecessary duplication and conflicting requirements.</p> <p>Our view does not change if the AUP report is restricted to specific users.</p>
22.	PwC	<ul style="list-style-type: none"> <li>• The independence requirements that are appropriate for an AUP engagement is a matter for IESBA and we recommend that the IAASB liaise with IESBA on this matter.</li> <li>• The practitioner is always expected to perform the engagement with an objective state of mind. However, in the extant ISRS 4400, paragraph 7 says that independence is not a requirement for an AUP engagement and that, where the auditor is not independent, a statement to that effect would be made in the report of factual findings. This position was developed at a time when most AUP engagements were performed primarily for management or those charged with governance, and in limited circumstances provided to specific third parties.</li> </ul>

		<ul style="list-style-type: none"> <li>As the use of AUP engagements has broadened to include more third-party users, we agree that it is appropriate to revisit this position. We believe that the nature or identity of the user of the AUP report could have a bearing on the whether or not compliance with independence requirements would be necessary in an AUP engagement.</li> <li>When the AUP report is intended for management and/or those charged with governance, they are in a position to evaluate the potential risks to the practitioner's objectivity of particular relationships.</li> <li>Where the AUP report is being provided to external third-party users, they may not be in a position to evaluate the potential threats to the practitioner's objectivity and IESBA may therefore determine that complying with independence requirements may be necessary in these circumstances to safeguard against those threats.</li> <li>In either circumstance, we believe the practitioner should be transparent about whether there are any factors which could reasonably be expected to influence the users' view of their objectivity, and we support the practitioner including a statement in the AUP report regarding independence in all cases, not just where the practitioner is not independent.</li> </ul>
23.	RSM	<p>In our view, the desire for the practitioner to be independent of the entity should be driven by the needs of the user.</p> <p>In the case of a regulatory or government body, there might be an expectation that the practitioner is independent of the entity because they want the work carried out by someone whose objectivity is not compromised by other business relationships with that entity.</p> <p>However, there are cases where an entity commissions an AUP report for its own internal purposes and therefore is fully aware of any relationships which might impinge on the independence of the practitioner.</p> <p>Where the practitioner is not independent, the users of the report, who may not be the entity's management, should be made aware of the fact because it may be relevant to their evaluation of the report. We therefore agree with the Working Group's approach which is to retain the current requirement to make a statement in the AUP report when the practitioner is not independent of the entity.</p>
<b>Public Sector Organizations</b>		
24.	AUDIT NEW ZEALAND	<p>In our view independence is preferable to objectivity. If objectivity is set as the minimum requirement then we believe that the existing approach in ISRS 4400 of requiring disclosure of the lack of independence is essential. However disclosure of a lack of independence is not as good as actually being independent. While we recognise that in theory objectivity is a lower standard to meet than objectivity, in practice a lack of independence does raise questions about whether the practitioner is genuinely objective. The discussion paper asks whether independence is necessary when the report is restricted to specific users and no professional judgement is required. If this is the case then objectivity may be sufficient, however see our response to question 1 on the use of professional judgement.</p>
25.	CIPFA	<p>We can see that allowing non-independent AUP would increase the usability of the ISRS, and we do not think this is unreasonable. CIPFA recognises that ISRS 4400 might provide a useful framework for e.g. internal audit.</p> <p>However, where the assignment is undertaken by a party which is not independent in the sense used in IAASB literature, this will need to be disclosed, together with an explanation of the relationship between the reporting accountant and the entity receiving the report, and the extent to which they are objective or independent.</p>

26.	PAS	<p>Because an AUP engagement does not offer assurance, and is resulting in a "Report on factual findings", the practitioner does not need to be independent, as long as they are objective. Additionally, there should be the requirement to state in the report of factual findings where the practitioner is not independent.</p> <p>There is no change of view when the report is restricted to specific users.</p>
<b>Member Bodies and Other Professional Organizations</b>		
27.	ACCA	<p>As noted in the response to Q1, ACCA believes that an AUP engagement should produce objectively verifiable factual findings. Therefore, ACCA is of the view that independence should not be required in the provision of an AUP engagement. As required by the IESBA Code of Ethics, practitioners would be expected to maintain objectivity at all times as well as the other fundamental principles, including professional competence and due care.</p> <p>Requiring independence of AUP engagement providers would be an unnecessary step, would add to practitioner costs and may discourage some practitioners from performing such engagements. ACCA is therefore of the opinion that an AUP engagement could instead include a statement how any threat to objectivity had been safeguarded against, where this is considered necessary to understanding the engagement or would otherwise underpin public confidence in the profession.</p> <p>Additionally there may be cases where an AUP engagement is conceived precisely because a practitioner is not independent, for example where the procedures require the practitioner to approach information from the client's perspective. ACCA thinks that ISRS 4400 should be flexible enough to accommodate such engagements.</p>
28.	AE	<p><b>(6) Moreover, we do not agree with the existing approach in ISRS 4400 in requiring a statement in the report of factual findings when the practitioner is not independent given that the standard does not require being independent. However, it is common practice in some jurisdictions to comment on independence in AUP reports, even though independence is not a requirement of the standard and this should not be precluded by any changes to the ISRS 4400. This is particularly important when some third parties specifically request AUP to be performed by an independent practitioner.</b></p> <p>We agree that the standard should not require the practitioner to be independent and for this reason we would not agree with requiring a statement in the report of factual findings where the practitioner is not independent.</p> <p>In an AUP engagement, the practitioner should have the opportunity to discuss with intended users before the performance of the engagement starts. It is during this discussion that the practitioner should inform them that he/she is not independent.</p> <p>However, it is common practice in some jurisdictions to comment on independence in AUP reports, even though independence is not a requirement of the standard and does not require it. This should not be precluded by any changes to the ISRS. This is particularly important when some third parties specifically request AUPs by an independent practitioner.</p> <p>The concept of objectivity and independence varies depending on the service provided. The IAASB could elaborate in ISRS 4400 on the objectivity, which is important when delivering an AUP engagement. However, independence as included in sections 290 and 291 of the IESBA Code of Ethics relates to more targeted assurance engagements and should therefore not be required under ISRS 4400.</p> <p>Our views will not change if the AUP report is restricted to specific users.</p>
29.	AICPA	<p>In the United States, there is a common view that AUP report findings will be more credible if the procedures are performed by an independent CPA. Therefore, the AICPA's attestation standards require that the practitioner be independent. As we require that the use</p>

		of the report be restricted in all AUP engagements, we do not believe our views would change whether the AUP report is restricted or not. The ASB, in tandem with the AICPA's Accounting and Review Services Committee (ARSC), is also in the process of developing a standard for exposure that would provide a service similar to an AUP; however, it would allow the practitioner to share in the responsibility of designing the appropriate procedures, which could theoretically allow for issuing unrestricted reporting of findings. Consistent with AUP engagements, the boards are currently looking to require the practitioner to be independent in performing this new service.
30.	ASSIREVI	Requiring practitioners to be independent would be unnecessarily restrictive. In our view, independence should not be required in an AUP engagement. However, the practitioner should be required to state in the report of factual findings where he or she is not independent.
31.	CAANZ	Practitioners should not be restricted with independence requirements unless if required by users. Though AUPs should be performed with objectivity, it does not necessarily require independence concomitant of restrictions. Independence of mind plays a minor role when reporting objective facts with little or no professional judgment involved. Independence of appearance is also less important if the AUP report is restricted, as it should be – it is not a general purpose report.  The current ISRS 4400 requires practitioners to disclose in the AUP report when they are not independent, but the Code does not have independence guidance for AUPs.
32.	CAI	We agree with the Working Group's views regarding practitioner independence for AUP engagements. Mandating the requirement for independence may prove to be very restrictive given the context of these engagements. The existing approach taken in ISRS 4400 of requiring a statement in the report of factual findings where the practitioner is not independent strikes the right balance. The Institute's view would not change if the AUP report is restricted to specific users, provided that all parties were mutually agreed.
33.	CPAA	We consider that there is significant value in the practitioner being independent when conducting an AUP engagement, but if they are not independent, it is important that users are aware of the practitioner's level of independence. In Australia, ASRS 4400 requires the practitioner to apply ethical requirements, including independence, equivalent to those applicable to Other Assurance Engagements or to agree modified independence requirements, including the level of independence. The independence applied should be required to be reflected in the terms of the engagement and the AUP report, including a description of the level of independence, where modified independence has been agreed.  We note that the Code permits the independence requirements to be modified, if the intended users of the assurance practitioner's report are knowledgeable as to the purpose, subject matter information and limitations of the report and explicitly agree to the application of modified independence requirements. In these circumstances, the report must include a restriction on use and distribution to the intended users only.  If modified independence requirements are adopted in the terms of the engagement, but the intended users include a class of users who are not party to the terms of the engagement, the practitioner should be required to make that class of users aware of the modified independence requirements. A class of users may be made aware of the modified independence requirements by communication through an industry body or by reference to the modified independence in the report of factual findings. In order to determine the level of modified independence, the independence of the practitioner and the engagement team will need to be assessed.
34.	EFAA	We support the present position and agree with the Working Group that the existing approach in ISRS 4400, which requires a statement in the report of factual findings where the practitioner is not independent, strikes the right balance.

		<p>In our view, objectivity for all AUP engagements is necessary, but independence is not required. Practitioners do not have flexibility when reporting factual findings, so whether they are independent or not should not impact the reporting of the facts.</p> <p>We recognize that while the practitioner is not expressing an opinion or conclusion on the AUP engagement the AUP are intended to increase credibility and trust in the underlying financial or non-financial information on which external parties rely. Accordingly, one could argue that any threat to the appearance of independence of the practitioner impairs the benefit and the trustworthiness of the performed 'procedures of an audit nature' (ISRS 4400.4). However, we are more persuaded by the counter argument that SMEs typically place their trust in the competence and integrity of SMPs and that the appearance of independence is not especially important to them. Moreover, an independence requirement may also mean that those best placed to perform a high quality AUP engagement are barred from doing so.</p> <p>We do not believe that whether a report is restricted or not is relevant in determining whether independence is required. However, the Working Group might wish to explore the merits of leaving it for the intended users to decide.</p>
35.	FACPCE	<p>In our opinion, AUP engagements must be made by independent professionals. We believe that even though AUP engagements do not provide a safety conclusion, the diversity of interests that exists between users and entities may compromise the performance of a professional who does not have independence from the entity involved. It would not change our opinion if the AUP report is restricted to specific users</p>
36.	FAR	<p>FAR's view is that the practitioner should be independent when performing an AUP engagement. This would be a way to reduce the risk of an expectation gap from stakeholders and to add credibility to an AUP engagement. A question that is not raised in the discussion paper is which competence should be required of the practitioner. In FAR's experience, it is common that a client expects the practitioner to perform an AUP engagement that in reality is, or is tangent to, an assurance engagement. FAR is hesitant to believe that a practitioner without competence of assurance engagements can handle such a situation. For this reason, FAR's view is that AUP engagements only should be performed by practitioners with experience from assurance engagements, in other words an auditor.</p> <p>FAR's view in this regard does not change if the AUP report is restricted to specific users.</p>
37.	FSR	<p>In our opinion the practitioner should be independent if the factual findings report is not restricted to specific users and if the AUP engagement is required by law or regulation. This is due to it that if a practitioner signs the report with his/her professional title, users expect that the practitioner is independent. It is also our experience that it is very rare that the practitioner is not independent when performing AUP engagements.</p> <p>In our view, it is difficult for users to understand that for assurance engagements, practitioners are required to be independent but when practitioners perform assurance like procedures, the practitioner is not required to be independent. Consequently, we believe the practitioner should be independent in both circumstances.</p> <p>In our view, it can be acceptable that the practitioner is not independent when the AUP report is restricted to specific users, and the users have accepted this at the point in time when the engagement commences.</p>
38.	IBR-IRE	<p>We believe it to be important to require the practitioner to be independent as it would enhance the value of the AUP report to the receiving parties. This does not depend on whether the AUP report is restricted to specific users, or not, in our view.</p>

39.	ICAEW	<p><b>2. We are generally content with the overall approach taken by the working group to professional judgement and to independence. In relation to the independence statement we believe, however, that the standard needs to make it clear that this statement should be in a prominent position in the report and should provide an illustration of this.</b></p> <p>12. We believe that one of the main reasons why a client (or third party) would request an AUP report from a practitioner is because they want the procedures performed by someone sufficiently 'independent' from the client. Indeed, we often see national regulators and governmental organisations asking for AUP reports to be carried out by an independent practitioner (and practitioners are required to comply with the independence requirements of the IESBA Code).</p> <p>13. We acknowledge, however, that there may also be instances, where, for example, a private report is commissioned and the client is happy to have a report from an accountant who wouldn't meet the independence requirements of the IESBA Code (and this is clearly stated on the report).</p> <p>14. We therefore agree with the Working Group's current position – which reflects the existing approach in ISRS 4400 of requiring a statement in the AUP report where the practitioner is not independent. However, we believe that this statement needs to be given clear prominence in the report and the standard should include a requirement to this effect (with the illustrative report providing an example of how this should be done). We believe that this is particularly important, given that there is a chance that such a statement could be lost in the detail of a long-form report.</p>
40.	ICAG	<p><b>Secondly, ISRS 4400 should include requirements relating to professional judgement, in our view we do not foresee any unintended consequences. This is because the exercise of professional judgement will be guided by the code of ethics. In addition, for the practitioner to be objective as it is to be the situation in the findings, the practitioner's independence should not be impaired. Even if the AUP report is restricted to specific users, the practitioner should maintain his independence.</b></p> <p>A3. We believe that practitioner independence is important for AUP engagements. Auditor independence adds a degree of objectivity and for AUP engagements this is quite frequently viewed as an objective type of engagement. Our view does not change with the restriction, as users of the report may not take into account, disclaimers put in the opinion, and will in all probability assume the independence of the accountant. Independence should not ordinarily prevent a practitioner from performing an AUP engagement. However, where users are specified, we may want to consider independence issues because the risk profile might be impacted.</p>
41.	ICAS	<p>We believe that the existing approach in ISRS 4400 that requires a statement in the report of factual findings when the practitioner is not independent, is contradictory given that the standard does not include the requirement to comply with the principle of independence. As part of an AUP engagement, the practitioner should have the opportunity to discuss the engagement with the client before the engagement gets underway and this would be the appropriate moment for the practitioner to inform the client that he/she is not independent.</p> <p>Our views would not differ if the AUP report was restricted to specific users.</p>
42.	ICASL	<p>Consistent with the IESBA Code, ISRS 4400 states that independence is not a requirement for AUP engagements but if we are to incorporate the element of professional judgment into the standard, practitioner is obliged to maintain independence which goes beyond the objective. Therefore independence is unnecessary in an AUP engagement if the AUP report is restricted to specific users and in a situation where minimal professional judgment is involved. Therefore the existing approach of requiring a statement as to the practitioner is not independent in the report of factual findings would be appropriate.</p>

43.	ICAZ	<p>Independence is integral in providing credibility to work performed by the practitioner and the AUP report. The users of the AUP report will obtain the necessary confidence that the practitioner acted objectively. This ensures that he practitioner does not have compromised their professional judgment because of bias, conflict of interest or the undue influence of others in both appearance and mind.</p> <p>Our views would not change if the AUP report is restricted to specific users.</p>
44.	ICPAU	<ul style="list-style-type: none"> <li>• It is the duty of a professional accountant to present or report on information objectively. That duty is the essence of professionalism and is appropriate to all accountants in public practice. A professional accountant has a duty to be objective in carrying out professional work, and should maintain an independent approach to that work. Thus an accountant performing professional work in public practice should recognise the problems created by personal relationships or financial involvements which by reason of their nature or degree may threaten his or her objectivity.</li> <li>• The above views would not change if the report is restricted to specific users.</li> </ul>
45.	ISCA	<p>2.1 Our stakeholders have different views as to whether practitioners should be independent when performing AUP engagements.</p> <p>2.2 Some users of AUP reports perceive independence of practitioners as adding value and enhancing credibility to the process and findings while others do not view independence of practitioners as a necessity for an AUP engagement. Representatives of small-and-medium practices also expressed that mandating practitioner independence may be overly restrictive and impractical for them.</p> <p>2.3 In our view, it may not be appropriate to include such an independence requirement in the standard. If required for specific engagements, this can be included in the relevant terms of the engagement letter or mandated in relevant laws or regulations. If required in some jurisdictions, this can be imposed through the respective national standards.</p> <p>2.4 Currently, where the practitioner is not independent, ISRS 4400 requires a statement to that effect to be made in the report of factual findings. Some stakeholders question the purpose of such a disclosure when independence is not mandated in the first place. Users may misinterpret this disclosure as a deviation from the norm and be misled into thinking whether quality or other aspects of the engagement have been compromised. Hence, we suggest that ISRS 4400 should not mandate such a disclosure if independence of the practitioner is not required for an AUP engagement. If the practitioner wishes to emphasise on his independence, the practitioner can choose to voluntarily disclose this fact in the AUP report.</p>
46.	KICPA	<p>It would not be necessary to require independence to practitioners in relation with AUP engagements, just as the IESBA Code does not require. The restriction of the AUP report to specific users would make it further unnecessary to require independence of professional accountants.</p> <p>As described in the paragraph 16, independence goes beyond objectivity and being objective obliges practitioners not to compromise their professional judgment because of bias, conflict of interest or the undue influence of others. As answered in the question 2, professional judgment needs to be exercised at a limited manner when performing AUP engagements in the context of professional competence and due care, thereby making the impairment of professional judgment extremely limited, accordingly ending up with objectivity and, going further, independence not impaired, as we believe.</p> <p>However, some argue that independence, a mechanism to guarantee objectivity, needs to be required as stakeholders in a company demand AUP engagements to keep the company in check. Even in this case, requiring a strict level of independence of appearance</p>

		applied in assurance engagements is still believed to be excessive. Thus, it would be desirable to apply a different level of independence, respectively.
47.	MICPA	The Institute believes that the existing requirements in ISRS 4400 are adequate.
48.	NASBA	<p>The Working Group has concluded tentatively that independence is not required for an AUP engagement. The Paper notes that the International Ethics Standards Board of Accountants (IESBA) does not require a practitioner to be independent to perform a non-assurance engagement such as the AUP engagement. The IESBA Code of Ethics for Professional Accountants requires practitioners to be objective, but not independent, and not to compromise their professional judgment because of bias, conflicts of interest or undue influence. The Paper posits that independence goes beyond objectivity and comprises both independence of mind and in appearance. Independence of mind is defined in the Paper as: "the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism." Independence in appearance is defined as "the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances, that a firm's, or a member of the audit or assurance team's, integrity, objectivity or professional skepticism has been compromised."</p> <p>As outlined in the AICPA Standard on Agreed-Upon Procedures Engagements, AT Section 201 and the Uniform Accountancy Act in the United States, the AUP engagement in the United States is considered an attest engagement. Thus, in our view the practitioner should be independent. AUP report users may include external parties such as banks, creditors, regulators and others that may require, expect and/or assume the practitioner to be independent. As noted in the paper (par. 4), investors or other providers of capital often request an entity to have an AUP engagement performed in lieu of an audit. The practitioner's independence is a significant differentiator that enhances the value of AUP services to users via greater credibility and reliability in the practitioner's findings.</p> <p>In the interest of transparency, should the IAASB decide independence is not required for the AUP engagement, the practitioner's report should indicate the lack of independence and cite the ethical requirements that the practitioner was required to meet in lieu of independence.</p>
49.	SAICA	<p>34. The results of the SAICA survey also indicated mixed views as is noted in the Discussion Paper 13.58% of survey respondents expressed the view that practitioners should be independent when performing AUP engagements.</p> <p>35. A view from the group of survey respondents who did not indicate the preference for the practitioner to be independent was that an AUP engagement is performed for a specific purpose, based on an agreement between specific parties. The practitioner is required to include a statement in the report on factual findings if the practitioner is not independent of the client<sup>14</sup>. Therefore, for all practical purposes the practitioner is required to disclose any conflict of interest and a lack of independence to the engaging party upfront. The decision is then up to the engaging party as to whether they wish to continue with the engagement.</p> <p>36. This group of survey respondents further indicated that it will be preferable to include a requirement in the revised ISRS 4400 for the inclusion of a clause in the engagement letter addressing any relationships and other matters that may bear on the practitioner's independence and, if applicable in the circumstances, that they have agreed to continue with the AUP engagement despite a lack of independence.</p>

		<p>37. The majority of survey respondents (68%) indicated that their view regarding the practitioner's independence would not change if the AUP report is restricted to specific users. This group of survey respondents indicated that the AUP report restriction should not be driven by the independence of the practitioner.</p> <p>38. In an engagement other than an assurance engagement, whether or not the practitioner is independent may have a perceived effect on the level of comfort / credibility that the user derives from the practitioners involvement, the work performed and the results of that work, but it is not a requirement in accordance with the purpose of the engagement and/or the information needs of the users. Independence is however a fundamental characteristic when the practitioner undertakes an assurance engagement with an objective of expressing an opinion or conclusion that enhances the degree of confidence of the intended users about the subject matter information. If independence is a specific requirement of the users in the circumstances of a specific engagement (other than an assurance engagement), then it needs to be specified, agreed to and complied with.</p> <p>12 ISRS 4410 (Revised), paragraph 22 13 Discussion Paper, paragraph 18 14 ISRS 4400, paragraph 7</p> <p>39. SAICA believes that the requirement for a statement to be made in the AUP report in the absence of the practitioner being independent<sup>15</sup> should be retained. The revised standard could further expand on this, similar to the approach that has been applied in ISRS 4410 (Revised)<sup>16</sup>.</p> <p>40. Furthermore, by clarifying in the engagement letter and in the factual findings report whether or not the practitioner performing the AUP engagement is independent may limit unintended consequences that may arise as a result of undue reliance being placed on the report (i.e. ensuring that the level of comfort / credibility that is derived from the AUP report is consistent with the purpose and circumstances of the particular AUP engagement).</p>
50.	SAIPA	<p>There were mixed views on whether the practitioner accepting an AUP must be independent. The overall view however was not in agreement with the requirement that a practitioner taking on an AUP must be independent except where other standards or legislation requires it. It is based on this that we recommend that the standard should not compel the practitioner to be independent simply because an engagement is AUP. SAIPA is in agreement with the Working Group's view on paragraph 21 that the declaration in the report on a relationship the practitioner has, will strike the right balance.</p>
51.	SMPC	<p>As the nature of an AUP engagement and the use of the resultant report can vary greatly depending on individual circumstances there should be sufficient flexibility for the parties to agree terms, including on the need for objectivity or independence. The SMPC supports the current position and agrees with the Working Group that the existing approach in ISRS 4400, which requires a statement in the report of factual findings where the practitioner is not independent, strikes the right balance.</p> <p>In our view, an appropriate degree of objectivity for all AUP engagements is necessary, but independence as devised for audit and review engagements is not required. Practitioners do not have latitude when reporting factual findings, so whether they are independent or not should not impact the reporting of the facts.</p> <p>We do not consider that the issue of whether or not a report is restricted is relevant in determining whether or not independence is required.</p>

52.	WPK	<p>A professional accountant in Germany has to meet the independency requirements of the German professional law in order to perform AUP engagements. Otherwise the professional accountant has to refrain from the engagement. This requirement applies irrespectively of the size of the SMP or the SME.</p> <p>Although the professional accountant does not express an opinion or conclusion on the AUP engagement, the AUP are intended to increase credibility and trust in the underlying financial information on which external parties rely. From our point of view, any threat to the independence in appearance of the professional accountant impairs the benefit and the trustworthiness of the per-formed 'procedures of an audit nature' (ISRS 4400.4).</p>
<b>Individuals and Others</b>		
53.	14000REGISTRY	<p>The prime purpose of an AUP engagement is to add confidence to the information being reported upon. Objectivity therefore is non-negotiable in any AUP engagement. Practitioners are, by definition, independent of the organization, and seen to be independent, for which the AUP is conducted.</p> <p>In our non-financial application, where agreed upon procedures are applied to the requirements for an environmental management system (ISO 14001:2015), the phrase "seeking confirmation of its self-declaration by a party external to the organization" is used to clearly distinguish the EnviroReady Report Accountant from the organization for which the report is provided and from the fourth option, third-party certification.</p>
54.	ANA	<p><b>Independence of the practitioner for non-assurance engagement is not an issue; it is, for assurance engagements. The practitioner should be independent for multi-scope engagements. Q3</b></p> <p>Independence of the practitioner for non-assurance engagement is not an issue; it is for assurance engagements. The practitioner should be independent for multi-scope engagements.</p> <p>The AUP report should mention the status of independence of the practitioner. Where the terms of engagements require one to be independent it should be so stated in the report. Where the practitioner is not independent, a statement to that effect would be made in the report of the engagement.</p> <p>Presently, independence is not a requirement for AUP engagements; also, the practitioners do not need to be independent when performing compilation engagement.</p> <p>We agree that requiring practitioners to be independent as a matter of course is unnecessarily restrictive where the AUP report is restricted and the disclosure is made in the report on the practitioner's independence.</p>