



Exposure Draft, ISRS 4400 (Revised), Agreed-Upon Procedures Engagements



15 March 2019

The Technical Director
IAASB Technical Director

Dear Sir/Madam

**Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS)
Submission – Consultation Paper “ISRS 4400 – Agreed-Upon Procedures Engagements”**

In response to your request for comments for **Exposure Draft, ISRS 4400 (Revised), Agreed-Upon Procedures Engagements**, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

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Comment letter on exposure draft: Proposed International Standard on Related Services 4400

(Revised): Agreed-Upon Procedures Engagements

Overall questions

Public Interest Issues Addressed in ED-4400

1) Has ED-4400 been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues?

Yes. AUP reports are widely relied upon even by the general public and not just parties to the report and as such the clarity and modernization helps to address some of the issues. For instance, restricting the report use and declaration of independence or lack thereof where the practitioner is not required to be independent. The amendments being proposed in ED-4400 go a long way in addressing public engagement issues. Though, the disclaimer must be sufficient to force any users, other than the parties to the agreement, to first seek proper understanding of the underlying reason for the AUP before then evaluating the findings from the AUP report.

The inclusion of non-financial matters also serves the public interest as a number of the AUPs are not necessarily financial, especially in a country like Zimbabwe. Also, in line with the requirements for exercising of professional scepticism, professional judgement being emphasized serves the public interest and also compels the practitioner to be vigilant when completing AUPs.

Also, the use of non-ambiguous and confusing words also helps ensure that report users understand the procedures performed and findings therefrom. Also, the use of the "clarity format" which helps promote consistency will go a long way in also assisting the public to select practitioners based on a comparison between similar AUPs.

Specific Questions

Professional Judgment

2) Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?

Yes, they do. Professional judgement implications would seem limited in AUP engagements since the procedures are agreed upon, however, professional judgement should always be exercised by practitioners. The definition helps practitioners and users to understand what professional judgement is and then paragraph 18, along with supporting material, helps to clarify when it is useful.

Practitioner's Objectivity and Independence

- 3) Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?**

Yes, we agree. AUP engagements, by nature, may not necessarily require the practitioner to be independent. Some AUPs require a practitioner who is well aware (au fait) with the business, operations and the industry it operates in to be able to complete an AUP engagement which addresses the procedures adequately. The ISRS should, however, emphasize the need for objectivity to be upheld even in cases where the practitioner is not independent.

- 4) What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.**

We do not agree with the requirement to have the practitioner disclose when they are not independent even when there is no requirement to be independent.

We do not believe that the practitioner should be required to make an independence determination when not required.

The report may be used by other users who were not party to the agreement and the declaration of non-independence may undermine the report in the eyes of users even though the quality of the report itself is not impacted by the practitioner's non-independence. Independence assessment should only be performed and disclosed in cases where the practitioner is required to be independent.

Findings

- 5) Do you agree with the term "findings" and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?**

We agree with the term "findings" and the related definitions. However, with the supporting material, the phrase "objectively verified" may need further clarity as some AUP findings may have been arrived at through the application of professional judgement which may be difficult to verify.

Engagement Acceptance and Continuance

- 6) Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?**

Yes, the requirements are appropriate. The practitioner should be able to evaluate the procedures to be performed in the context of the engagement and the objectives. This should help the practitioner to also perform the task according to the agreed procedures and objective for which the procedures are being performed.

Practitioner's Expert

- 7) Do you agree with the proposed requirements and application material on the use of a practitioner's expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400?**

Yes, we agree. In cases where the practitioner uses an expert, this does not result in an abdication of responsibility by the practitioner and as such the sections are clear enough to prompt the practitioner to retain responsibility for the procedures.

AUP Report

- 8) Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?**

Yes, we agree. In many cases, AUP reports are for procedures which may meet an objective of public interest or required by more than just the contracting parties. Therefore, it may be necessary to not restrict use to the contracting parties. The guidance should contain guidance on the objective of the AUP and also the reasoning behind so that anyone who chooses to use the AUP report has full understanding. It is also correct that the practitioner be the one to restrict use in cases where it is deemed fit.

- 9) Do you support the content and structure of the proposed AUP report as set out in paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?**

We support the content and structure but feel that paragraph 30(f)(ii) should be removed, in a case where the practitioner is not required to be independent, there should not be a disclosure of the independence assessment.

Request for General Comments

- 10) In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:**

- a. Translations—recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes**

comment on potential translation issues respondents note in reviewing the ED-4400.

No issues noted.

- b. Effective Date—Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable**

A shorter period of 12-18 months would be practicable for effectiveness of the final ISRS once completed. This is because it gives practitioners a full year to amend systems then also adds 6 months to allow for further alterations should that be required.