



International Auditing and Assurance
Standards Board

Stockholm 4 February 2019

**Proposed International Standard on Related Services 4400
(Revised), Agreed-Upon Procedures Engagements and Other
Services**

FAR, the Institute for the Accountancy Profession in Sweden is responding to the IAASB's invitation to comment on the exposure draft *Proposed International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements and Other Services*.

FAR's responses to the questions in the exposure draft are presented in the attachment to this letter

FAR

A handwritten signature in blue ink, appearing to read 'Håkan Malmström', with a horizontal line extending to the right.

Håkan Malmström
Chairman FAR audit working group

Appendix

Overall Question

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?*

ED-4400 has been clarified and modernized in many ways. For specific comments see answers to question 2-11 below.

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?*

Professional judgment is a term that is strongly associated with assurance engagements. Even if the procedures in an AUP engagement should result in objectively verifiable factual findings the practitioner uses his or her judgment in some way. For example, when deciding if there are verifiable factual findings and if the procedures are sufficient to meet the client's need and are appropriate due to the objectives. Judgment is also used when analysing risks of misstatement caused by fraud or error. FAR agrees that the term professional judgement shall be used in the context of an AUP engagement and that it is suitable that the term has been defined in this context. The requirement in paragraph 18 and application material in paragraphs A14-A16 is appropriate. The definition in paragraph 13 (j) uses the term "professional standards". According to the Glossary of Terms in the Handbook there are two definitions of professional standards, one general and one in the context of ISQC 1. The general definition is *International Standards on Auditing (ISAs) and relevant ethical requirements*. Is it this term that IAASB means in ISRS 4400 (Revised)?

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?*

FAR's view is that the practitioner should be independent when performing an AUP engagement. This would be a way to reduce the risk for expectations gap from stakeholders and to add credibility to an AUP engagement.

- 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.

As expressed in the answer to question 3) FAR's view is that the practitioner should be independent, but if the practitioner is not required to be independent the AUP-report should be transparent about this fact. The practitioner's independence is a public interest for assurance engagements. The public's knowledge of the difference of an assurance engagement and an agreed-upon procedure engagement is low. For this reason, it is important information for the reader of the AUP-report to know if the practitioner is required to be independent or not and if the practitioner is independent or not. Therefore, the transparency regarding the practitioner's independence is of public interest. FAR agrees with the table in paragraph 22 of the Explanatory Memorandum To ED-4400. If the practitioner is not required to be independent FAR does not believe that the practitioner should be required to make an independence determination.

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?*

Yes, FAR agrees. The definition of findings in paragraphs 13(f) and A10-11 is clear.

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, they are appropriate. Regarding the use of misleading or unclear terminology FAR believes that it generally should be prohibited in an AUP report, unless specific wordings are required by law or regulation. By prohibiting the use of misleading or unclear terminology generally, FAR means that the standard should not forbid specific terminology, but instead discuss what terminology may be misleading or unclear and give examples, as is suggested in A22-A23. The revised ISRS 4400 should leave it to the practitioner to determine which terminology is misleading or unclear. A list of specific prohibited terminology may be useful in the English original of the standard but may be difficult to translate to other languages, FAR therefore does not approve of such a list. In cases when the practitioner, due to law and regulation, is required to use unclear or misleading terminology in the AUP report the practitioner should explain the meaning of the used terminology. Clear guidance on wording in the AUP report would make it easier for practitioners to write their reports but also to respond to questions from clients regarding used terminology or demands from third parties to use a specific format.

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?*



FAR agrees with the Working Group on enhancing ISRS 4400 in the way suggested. Guidance when using the work of an expert is helpful. Especially if an AUP engagement is performed on non-financial information it can be important for the practitioner to use the work of an expert with necessary knowledge in the required field.

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, FAR agrees that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, as long as the party has a clear understanding of the AUP and the conditions of the engagement. Paragraph A43 clarifies that in some circumstances there can be a need to restrict the report.

- 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?*

FAR supports the content and structure of the proposed AUP report and especially welcomes the new format of presenting procedures and corresponding findings in a tabular format.

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.*

The suggested lists of wording in paragraphs A22-A23 can be difficult to translate.

- 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.*

FAR agrees that 18-24 months after the approval of the final ISRS is an appropriate effective date. FAR would also like to express that it is important that a final version of ISRS 4400 and any conforming amendments to other standards are available as soon as possible after approval. In FAR's



experience it is helpful to have both a version with marked up changes and a final version without marked up changes to make sure that all changes have been translated correctly. In many cases it is required to make a check against *the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the Handbook) to make sure that the final version is the same as the published version and that references to the revised standard in other standards are correct. When the Handbook is published at a time close to the effective date it is harder to make this check.

c) In addition to the questions in the exposure draft FAR wishes to make the following comment

Par 27 of ED ISRS 4400 states that a practitioner shall consider whether it is necessary to request written representations or not from the engaging party. FAR gets the impression that par 27 thereby states that there may be situations when the practitioner should reach the conclusion that written representations must be obtained. In the explanatory memorandum par 44-46, the IAASB states that it has decided not to require written representation in agreed-upon procedures engagements, which appears to contradict how FAR understands par 27. FAR therefore recommends the IAASB to rephrase par. 27 so that there is, under no circumstances, any requirement from ISRS 4400 to obtain written representations.