



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

22 March 2019

Mr Matt Waldron  
Technical Director, International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, 10017 USA

Dear Matt,

**INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)  
EXPOSURE DRAFT, PROPOSED INTERNATIONAL STANDARD ON RELATED  
SERVICES (“ISRS”) 4400 (REVISED), AGREED-UPON PROCEDURES ENGAGEMENTS**

The Auditing and Assurance Standards Board (AASB) of the Malaysian Institute of Accountants (MIA or the Institute) is pleased to provide its comments on the International Auditing and Assurance Standards Board’s (IAASB’s) proposed International Standard on Related Services (“ISRS”) 4400 (Revised), *Agreed-Upon Procedures Engagements*.

Attached in *Appendix 1* is the Institute’s response to the questions contained in the Exposure Draft.

Please do not hesitate to contact us should you require any further clarification in respect to the issues raised in our comments.

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR. NURMAZILAH DATO' MAHZAN**

Chief Executive Officer

## **APPENDIX 1**

Our comments on Exposure Draft ISRS 4400 (Revised) are as follows:

### **Overall Question**

#### **Q1. Has ED-4400 been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues?**

The ED-4400 has been suitably modernized to be compatible with other clarified standards. The provisions of ED 4400 respond to needs of stakeholders and addresses public interest issues. The AASB supports the clarifications made in the standard to explicitly incorporate requirements and examples within the application material on non-financial subject matters.

Further, the additional descriptions of what an agreed-upon procedure (AUP) is, contrasted with other assurance engagements is useful in engaging users and the public, especially involving engagements in public sector entities that could be in the public interest. This would certainly be of use when agreeing the scope of work of such engagements with the engaging parties who must acknowledge the appropriateness of such procedures and when explaining to other known users of such reports, for example, regulators.

It would also be helpful for the IAASB to consider providing examples on the usage of technology such as data analytics in an AUP engagement.

### **Specific Questions**

#### ***Professional Judgment***

#### **Q2. 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 judgement has always been applied by the practitioner in conducting an AUP engagement. We are in agreement with the definition, requirement and application material on professional judgment in the ED as they appropriately reflect the role professional judgment plays in an AUP engagement.

Paragraph A10 in dealing with '*Findings*' states that "Factual results are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at the same results." We view this paragraph as important in understanding the exercise of professional judgment in an AUP engagement.

However, we would like to highlight that paragraph A16 may give the impression that practitioners may apply more professional judgment than is warranted for AUP engagements. We therefore suggest that either:

- (i) The last sentence in the paragraph which reads, “The more a procedure requires professional judgment, the more the practitioner may need to consider whether the condition that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations is present.” be removed; or
- (ii) Further clarification or examples on circumstances where further professional judgement may be required are provided.

### *Practitioner’s Objectivity and Independence*

**Q3. 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?**

We agree with the non-inclusion of a precondition for the practitioner to be independent when performing an AUP engagement given that such engagement is reporting on factual results and the IESBA code does not require a practitioner to be independent to perform such engagements.

**Q4. 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 support the disclosures about independence in the AUP report in various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400 in relation to assessment of independence for AUP engagement when the practitioner is required to be independent by relevant ethical requirements, terms of the engagement, or other reasons.

In circumstances where the practitioner is not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons for an AUP engagement, we believe that the practitioner should be required to make an independence determination. The practitioner should be required to disclose the basis as to why it is appropriate for the practitioner to take up the engagement despite not being required to be independent.

## *Findings*

### **Q5. 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 and application material of ED-4400.

## *Engagement Acceptance and Continuance*

### **Q6. 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?**

We are of the view that the requirements and application material regarding engagement acceptance and continuance are appropriate.

## *Practitioner’s Expert*

### **Q7. 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?**

Given that the ISRS applies to the performance of agreed-upon procedures engagements on financial and non-financial subject matters, the involvement of practitioner’s expert is inevitable. Thus, we agree, in principle, with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400.

Paragraph 28(b) requires the practitioner to ensure that “...the practitioner will be able to be involved in the work of the expert to an extent that is *sufficient* to take responsibility for the findings...” Paragraph 31 further states that “...the wording of the report shall not imply that the practitioner’s responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert.” The above paragraphs explain the intention of the IAASB to ensure that the practitioner’s responsibility for performing the procedures required and reporting the findings should not be reduced by the involvement of an expert. As such, it would be helpful for the IAASB to expand the examples given on application material A35 for clarity and we also suggest that Information Technology (IT) related examples be provided especially where an IT expert is appointed to perform an AUP engagement in supporting the overall AUP work procedures performed by the practitioner.

We would also like to emphasize that there may be circumstances where it may not be practical for the practitioner to take responsibility for the work performed by a practitioner’s expert, for instance, where the practitioner expert’s procedures form substantially the majority of procedures to be performed in the AUP scope. The determination on the extent of the practitioner’s involvement in an AUP is crucial at the engagement acceptance stage, and practitioners would also have to be alerted to the potential for post-acceptance changes in the AUP to influence this determination

as the AUP progresses. The practitioner may only use the work of an expert to support the practitioner's own performance of the AUP. Therefore, if the practitioner does not have sufficient experience and expertise, they should not be undertaking the engagement and a separate engagement should be undertaken between the engaging party and the expert. For example, it would be more appropriate for the engaging party to appoint a chemist determining the toxin levels in a sample of grains separately rather than engaging a practitioner to appoint an expert to perform the work.

#### *AUP Report*

**Q8. 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?**

We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed given that paragraphs 22(c) and 30(m) of ED-4400 explain the purpose and intended users of the AUP engagement. The practitioner may also mitigate the risk of unwarranted attention from parties who are not involved in the AUP engagement and have not agreed to the AUP procedures by applying application material A43 which states that the practitioner may consider the appropriateness of indicating that the agreed-upon procedures report is intended solely for the engaging party and the intended users.

**Q9. 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 of the proposed AUP report except as discussed in our response above.

#### *General Comments*

**Q10. Do 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.**
- (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) Not applicable.
- (b) As there are substantive revisions to the standard, the AASB is of the view that the proposed effective date for the standard is reasonable and provides sufficient period for us to effectively implement the final revised standard.