

March 7, 2019

International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, New York 10017

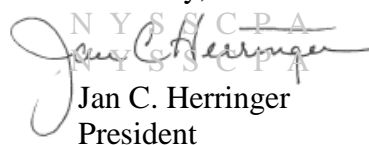
Submitted via IAASB [Submit Comment](#) link

Re: Proposed International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements

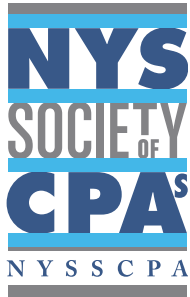
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 25,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Auditing Standards Committees deliberated the proposed international standard and prepared the attached comments. If you would like additional discussion with us, please contact Jonathan Zuckerman, Chair of the Auditing Standards Committee, at (212) 867-8000 or please contact Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink that reads "Jan C. Herringer". The signature is written in a cursive style. Above the signature, the letters "NYSSCPA" are printed in a light grey, sans-serif font.
Jan C. Herringer
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED INTERNATIONAL STANDARD ON RELATED SERVICES 4400
(REVISED), AGREED-UPON PROCEDURES ENGAGEMENTS**

March 7, 2019

Principal Drafters

**Julian E. Jacoby
Bonnie S. Mann Falk
Mark Murray
Jonathan Zuckerman**

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New York State Society of Certified Public Accountants

Comments on

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

We welcome the opportunity to respond to the International Auditing and Assurance Standards Board's (IAASB) invitation to comment on the Proposed International Standard on Related Services 4400 (Revised): Agreed-Upon Procedures (Exposure Draft or ED).

General Comment:

We are generally supportive of the IAASB's Proposed Standard; however, based on the objectivity applied in many agreed-upon procedures (AUP) engagements, there should be a requirement for the practitioner to be independent. An impairment of independence results in a perceived bias of the practitioner. A user of the report may not place as much reliance on a report prepared by a practitioner who is not independent thereby reducing the utility of the report.

We further recommend that some amendments should be made relative to discussion of a firm's quality control in the AUP report.

Specific Comments:

We offer the following responses to the questions posed in the Exposure Draft.

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?

We applaud the efforts of the IAASB to modernize and clarify International Standard on Related Services (ISRS) 4400 Agreed-Upon Procedures Engagements (Revised).

We agree with the positions articulated in the ED, except for the document not resolving the independence requirement for all practitioners who would provide this service. The ED notes that the International Professional Ethics Committee of IESBA has no independence requirement in place.

We disagree with the placement of a discussion of a firm's quality control in the AUP report. The ED suggests that this requirement parallels inclusion of a similar discussion in the revised standard on compilation (ISRS 4410).

The AUP report in the ED is no longer required to be restricted (unless the practitioner elects to do so), but it requires a statement that it might not be suitable for any other purpose than those agreed upon by the engaging parties. The risks of litigation arising from the use or restriction of the report to users by practitioners varies by jurisdiction. That risk should be evaluated by practitioners so they can make an informed decision. This caveat should be included in the application material on report restrictions.

Our comments on these issues are detailed below in our response to questions 3 and 4 of Section 4 (page 16 of the ED) and question 9 (page 17 of the ED).

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?

We concur with the ED's requirements and the related application material discussing professional judgment.

Practitioner's Objectivity and Independence

3) Do you agree with not including a precondition 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 consider the issue of independence to be the most contentious matter in this ED. AUP is an attest service, and is confirmed as such in the ED as evidenced by the list of "audit procedures" listed in paragraph A22. We believe the omission from the ED of evaluating independence is unsound. Independence is a basic tenet of the profession; all practitioners providing agreed-upon procedures engagements should be independent.

The Professional Ethics Executive Committee of the AICPA (PEEC) addressed this issue in the 1980's. Firms were required to maintain their independence, but the circumstances surrounding the provision of services did not allow firms (especially large firms with many offices) to effectively implement their control procedures over independence. The agreed upon procedures engagements were generally completed before firm-wide questionnaires (relating basically to share ownership or prior provision of non-audit services) could be answered and evaluated. As a

practical expedient, the PEEC required independence only for the engagement team and for members in the office providing the service. We suggest using that approach for practitioners using ISRS 4400. We recommend the IAASB meet with the IESBA as needed to address this matter and reconcile the differing positions.

4) What are your views on the disclosures about independence in the AUP report in the various scenarios described 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 in this circumstance?

We support the IAASB's effort to provide an alternative with varied disclosure options, but as stated in the response to question 3 the alternative is not the most desirable. If independence is not put in place as a requirement, the alternatives postulated in the ED are all acceptable and we have no strong preference in the proposed guidance, including disclosure options.

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 and application material. Please refer to our response to question 6 relating to the concept of materiality of findings.

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?

We agree with the requirements and application material regarding engagement acceptance.

Please see below for further consideration:

Paragraph A22 – Consider the inclusion of "Obtain," e.g. obtain from [specified personnel] the executed agreement of sale. This could be relevant where the engaging party may require documents to be obtained from individuals with specific designations or authorizations.

Paragraph A23 indicates that "material" may constitute unclear or misleading terminology. We agree with this statement, however, footnote 19 of the November 2016 Discussion Paper states that "...quantitative thresholds for determining factual deviations may be set." We do not see where this is addressed in the ED and would propose that the standard clarify the following:

1. The concept of materiality does not apply to findings to be reported in an AUP engagement unless the definition of materiality is agreed to by the parties.

2. Include an example of language that describes a materiality limit, e.g. “For purposes of performing these AUPs, no exceptions were reported for differences of CUR 1000 or less.”

Paragraph A23 – Consider revising bullet #5 to the following: “Imprecise descriptions of procedures such as “discuss,” “evaluate,” “test,” “interpret,” “analyze,” “examine,” or “verify” unless they have been defined to indicate the nature, timing and extent of the procedures associated with these actions.”

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?

We agree with the proposed requirements and application material on the use of a practitioner’s expert and references to such use on the AUP report, however, please see below for further consideration:

Consider whether there should be a requirement for the practitioner and the engaging party to agree to the involvement of an external specialist to ensure that the engaging party can adequately acknowledge that the procedures are appropriate for the purpose of the engagement as required by paragraph 22(b).

Paragraph 31, as it currently reads, seems to imply that the inclusion of a reference to the work performed by a practitioner’s expert is optional. Unless that is the intent, which it may be if not required by law or regulation as per paragraph A44, consider rephrasing paragraph 31 to “When the practitioner uses the work of a practitioner’s expert, a description of the nature of the assistance provided by the practitioner’s expert should be provided in the agreed-upon procedures report. The wording of the report shall not imply that the practitioner’s responsibility...” This would likely be even more important if the parties should first agree to the use of an expert as noted in the preceding comment.

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?

We agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures and that paragraph A43 appropriately addresses the circumstances when the practitioner may consider it appropriate to restrict the AUP report. We are pleased that the practitioner could restrict use if it so wishes.

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 ED proposed content and structure except for the discussion on firm quality control procedures.

We have some comments and suggestions on the examples in Appendix 2. The report examples illustrate reports on an AUP for a client's contract procurement process and its transactions recording payment for contract services. The examples are useful from a formatting perspective, however, in our view, both examples have low utility. The procedures appear as though they could be done in a short time duration (several hours) and are routine in nature to an experienced practitioner.

We suggest adding two or three additional objectives to make the assignment more realistic and useful. We recommend adding the words "and contract modifications" to contracts in the second objective (payment comparisons), since it is unlikely that payment amounts would not differ for a set of contracts over a one-year time frame with no contract modifications.

We also suggest including language in the application guidance discussing how firms might go about monitoring their firm quality, for large and for small firms, and/or a cross-reference for this discussion to other more detailed standards.

Request for General Comments

10) *In addition to the request for specific comments above the IAASB is also seeking comments on the matters set forth below:*

(a) Translations – recognizing that many respondents may not intend to translate the final ISRS for adoption in their own environments, the IAASB welcome comments on potential translation issues respondents note in reviewing the ED-4400.

We have no comment on 10(a).

10(b) Effective Date- recognizing that the ED 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.

We believe an effective date 18 to 24 months after finalization is appropriate given the national concerns mentioned. The AICPA's Auditing Standards Board does not encourage early

implementation for its auditing/attest standards perhaps due to legal constraints. We do not have a strong opinion on early implementation.