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Professor Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York NY 10017
United States of America

15 March 2019

Dear Professor Schilder,

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


RSM International Limited, a worldwide network of independent audit, tax and consulting firms, appreciates the opportunity to comment on the IAASB's Exposure Draft, Proposed International Standard on Related Services 4400 (Revised) – Agreed-Upon Procedures Engagements ('the ED').

We support the proposals in the ED and consider that they update and modernize ISRS 4400 in response to increasing complexity of Agreed-Upon Procedures Engagements.

Our responses to the specific questions posed in the Explanatory Memorandum are attached.

We would be pleased to discuss our views further with you or your staff. If you have any questions regarding our comments, please contact Steve Whitcher (steve.whitcher@rsm.global) or me at (marion.hannon@rsm.global).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Marion Hannon', with a long horizontal flourish extending to the right.

Marion Hannon
Global Leader, Quality & Risk

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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?**

Yes, we believe that ED-4400 has been appropriately clarified and modernized to reflect the increasing complexity of AUP engagements. It also appropriately addresses changes in the regulatory environment, particularly in the areas of ethics, independence and the exercise of professional judgment but without being as prescriptive as the requirements for an assurance engagement.

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, we believe that the role of professional judgment is appropriately described in ED-4400. We welcome the guidance which sets out the areas in which professional judgment can be exercised in determining the scope of an AUP engagement and the reporting thereon, whilst recognising that the findings from the procedures carried out are factual in nature rather than subject to the exercise of judgment.

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 with the independence provisions in ED-4400. Whilst objectivity is a requirement under the IESBA Code of Ethics, whether the practitioner needs to be independent should be driven by local regulatory requirements and the needs of the users of the AUP report.

- 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 agree with the disclosure about independence in the AUP report and do not believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement. We consider that, in these circumstances, the requirement for objectivity in the IESBA Code of Ethics is sufficient.

As long as the reader is made aware of the regulatory requirements regarding independence and, where relevant, the assessment made by the practitioner regarding their independence, we believe that this is sufficient.

In order to further clarify the position, we consider that it would be useful to include the table in paragraph 22 of the Explanatory Memorandum in the final ISRS4400.

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”. It is clear that it relates to factual findings in the definitions.

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 consider that these requirements and application material regarding engagement acceptance and continuance are appropriate.

Further consideration could be given to clarifying the position on “material”. It may be that the engaging party and the practitioner want to agree a threshold below which a finding does not need to be reported. It would therefore be useful to include more explicit guidance in this regard.

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 with the proposed requirements and application material on the use of a practitioner’s expert.

- 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 that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed. We consider paragraph A43 to give useful guidance in this regard and the permission given to the practitioner to restrict the AUP report is welcome.

- 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 consider 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 to be appropriate.

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.**

We have no comment on translation issues.

(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.

Despite the substantial revisions in ED-4400, we consider the timescale for implementation to be sufficient.

