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Ref: JBO.BNB.CBA. 20190098

**Subject : Response to the IAASB Exposure Draft of proposed International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements**

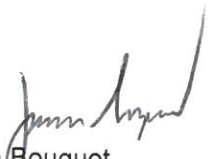
Dear Sir,

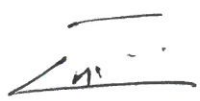
The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) are pleased to provide you with their comments on the IAASB Exposure Draft of proposed ISRS 4400 (Revised) "Agreed-Upon Procedures Engagements".

Responses to the specific questions raised in the Exposure Draft are set out below.

If you have any further questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,

  
Jean Bouquot  
President of CNCC

  
Charles-René Tandé  
President of CSOEC

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

## Comments

### Overall Question

#### *Public Interest Issues Addressed in ED-4400*

##### **Question 1:**

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

We are supportive of the overall changes proposed in the ED. We believe that in general, the proposals represent positive enhancements to the existing standard and we believe that the proposed changes respond to the needs of stakeholders and address public interest issues.

In particular, we believe that greater clarity was introduced in areas such as the exercise of professional judgment, and the use of a practitioner's' expert; we are also supportive of the changes made to the restrictive use of the AUP report.

However, we have a concern regarding the requirements related to the disclosure of independence, as indicated further in our response to question 4.

### Specific Questions

#### *Professional Judgment*

##### **Question 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 agree that 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 believe the intent of paragraph A16 is to recognize that there may be limited judgement necessary in some circumstances. However, we believe a final sentence could be added that would more directly explain that a procedure that requires the exercise of more than a limited amount of professional judgement in performing it or in analyzing the results thereof is unlikely to meet the engagement acceptance and continuance pre-conditions. An example to illustrate may also be useful.

#### *Practitioner's Objectivity and Independence*

##### **Question 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?***

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement.

#### Question 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 mentioned above we support the position taken in the ED that the practitioner does not have to be independent to perform an AUP. This is because we believe that an AUP performed by a practitioner who is not independent has the same "value" to the users as an AUP performed by a practitioner who is independent.

In addition, we are strongly opposed to the practitioner having to make an independence determination, since he/she is not required to be independent.

The logical consequence of those positions is that there should not be any independence disclosure requirements since they can only blur the message that an AUP has the same "value" irrespective of whether it has been performed by an independent or a non-independent practitioner.

However we do not object to all independence disclosure requirements.

We are nevertheless particularly concerned with the proposed disclosures in the AUP report in the situation where the practitioner who is not required to be independent is actually not independent.

In this circumstance, we note that the ED proposes to include such statements in the AUP report<sup>1</sup>. We are of the view that the proposed inclusion of "the practitioner is not independent" may create confusion for the public by falsely diminishing the value of findings from the AUP, in situations where the practitioner is not required to be independent. In this situation, we suggest to only disclose that the practitioner is not required to be independent.

In addition, regarding the topic of independence, one pertinent possible solution could be to state in the engagement letter that the practitioner is or is not independent, since the party potentially most interested in knowing whether the practitioner is independent or not is the engaging party, before engaging the practitioner.

#### ***Findings***

#### Question 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 in paragraphs 13(f) and A10-A11 of ED-4400.

#### ***Engagement Acceptance and Continuance***

#### Question 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 believe that the requirements set out in paragraphs 20-21 are appropriate. We suggest to enhance the flow by switching the two paragraphs, as it seems more logical for the practitioner to obtain an understanding of the purpose of the engagement before examining whether the engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement and before determining whether the agreed-upon procedures and related findings can be described objectively.

In paragraph 20, we suggest referring to paragraphs A28 and A29 instead of A26 and A29.

<sup>1</sup> Paragraphs 30(f)(ii)(a), 30(g) and A41- A42 of ED-4400

Furthermore, we suggest adding a reference to paragraph A15 in paragraph 20(a) and a reference to paragraph A16 in paragraph 20(b), as professional judgment is applied in the acceptance of the AUP engagement.

With respect to the related application material paragraphs:

- In paragraph A22, we propose to reinforce the fact that the procedures performed in an AUP engagement are not designed by the practitioner to obtain reasonable or limited assurance evidence, by adding an example of an AUP engagement that would be acceptable, and an AUP engagement that would not be acceptable on a similar subject matter. We believe the following example could help distinguishing an AUP engagement with an assurance engagement: "Confirm that the data used in the determination of the provision recorded by the entity was correctly computed according to the formula described in the accounting standard XYZ" does not provide assurance on the valuation of the provision. "Evaluating the appropriateness of data used in the making of the provision" may provide assurance and may not be suitable for an AUP engagement.
- In paragraph A23, we suggest including additional terms that may be misleading such as "evaluate", "ascertain", "assess", "examine", and "verify"
- We believe that A28 is unclear. We suggest rewording this paragraph as follows:  
"Facts or circumstances suggesting that the procedures may be inappropriate for the purpose of the agreed-upon procedures engagement may include, for example, procedures on subject matters that are unreliable or procedures that deal with existence of inventory ~~when~~ **whereas** the purpose of the engagement ~~is concerned with~~ **relates to** the completeness of inventory."

It would also be useful for the application material to explain that the judgment regarding the appropriateness of the procedures involves determining that the procedures will not result in a report that may convey misleading information or be misunderstood by users.

### ***Practitioner's Expert***

#### **Question 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 and we believe that references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400 are appropriate.

However we have the following comment. Recognising the expanded scope of the proposed standard to include non-financial subject-matters, we suggest that an additional acceptance condition may be appropriate that addresses the practitioner's competence to perform the procedures. Specifically, such a condition could address any need for a practitioner's expert. We believe the IAASB can draw upon language similar to that in proposed ISA 220 (Revised) i.e., that the practitioner, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the procedures.

## AUP Report

### Question 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 to be performed.

We believe that paragraph A43 of ED-4400 appropriately addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report.

We consider a restriction may be appropriate when the practitioner believes there is a greater risk for users other than the intended users to:

- Misunderstand the agreed-upon procedures or the purpose of the engagement
- Interpret the findings as providing assurance.

In this case, we consider that the context of the AUP should be specified in the engagement letter and in the report.

- Concerning the engagement letter, we suggest adding the following in the last sentence of paragraph 2 of the letter (appendix 1), i.e. “Accordingly, we do not express any opinion or conclusion on the procurement of products, **as requested in the context XXX**”;
- Concerning the AUP report, we suggest amending:
  - The first sentence of the AUP reports (illustrations 1 and 2) as follows: “We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products, **as requested by donor X of the grant agreement Y**”.
  - The last sentence of the AUP report (illustration 1) and the penultimate one (illustration 2) as follows: “Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies **in the context described above** and may not be suitable for another purpose.”

### Question 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 are supportive of 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.

However, we have the following comments:

- In relation to our comment in question 8, we suggest adding a specific mention in the AUP report (paragraph 30): the context of the engagement;
- In order to reflect the requirement in paragraph 30 (m), we suggest clarifying/mentioning the purpose of the AUP engagement proposed in Illustrations 1 and 2. Please refer to our suggestion made in question 8.



## **Request for General Comments**

### **Question 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.*

*(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.*

We have not identified any translation issues and we agree with the effective date.