

RE: Comments on ISRS 4400 (Revised) Agreed-Upon Procedures Engagements

Dear Sir/Madam

We thank you for providing us with the opportunity to present our views on ISRS 4400 (Revised) Agreed-Upon Procedures Engagements. Views are presented per question as contained in the exposure draft.

Question 1: Has ED-4400 been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues?

We believe that the revised standard appropriately clarifies and responds to the needs of stakeholders and address public interest issues.

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?

It is our recommendation that the information included in the explanatory materials be moved to the main standard as the extent of professional judgement may be misleading. This is due to the fact that the revised standard notes that the application and other explanatory materials need not be complied with, but should rather be viewed as additional guidance.

We do however agree with the extent of professional judgement to be applied during these types of engagements.

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 do not agree with the non-inclusion of the independence precondition. It is very difficult to be able to prove that a practitioner acted objectively when he/she is not independent.

We wish to also bring to your attention that there may be a public perception that practitioners must always be independent of the engaging party whereas the revised standard allows the practitioner to not be independent of the engaging party.

At the very minimum, it is recommended that the standard recommend that the practitioner elaborates in his/her engagement letter and report why he/she is not required to be independent.

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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.

This has been dealt with in question 3.

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.

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 acknowledge that it is a necessary precondition of the engagement that the procedures can be described objectively, however where the agreed-upon procedures are performed as part of the engagement, it may result in potentially unnecessary paperwork. This would be the case where the engagement team performed the client and engagement acceptance procedures for a new audit client and during the course of the audit, the engagement team is requested to also perform agreed-upon procedures. The way the revised standard is written means that the team will have to perform a separate client/engagement acceptance procedure, which can be quite onerous in certain jurisdictions.

Certain regulatory bodies require client and engagement acceptance or continuance procedures to be reperformable in terms of ISA 230 and the requirements contained in paragraphs 20 – 21 may result in potentially unnecessary additional work.

It is recommended that where assurance work is also performed, additional guidance be provided as to when this standard’s engagement acceptance or continuance should be performed, and the extent of documentation required.

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?

It is recommended that the definition of the practitioner’s expert be aligned with the definition contained in ISA 620 *Using the work of an auditor’s expert*. The revised standard excludes assurance work, which does not necessarily include accounting work.

We however agree with the requirements of the standard.

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 report should not be restricted to only parties that have agreed to the procedures to be performed, provided that confidentiality of information reported on has not been breached.

We recommend that the standard be amended to clearly note that where information is considered confidential, a restriction on distribution be applied.

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 support the content and structure as proposed.

Question 10a: Translations

Our legislation does not require any translations and as such, we cannot comment on this matter.

Question 10b: Effective date

The revised standard is mainly to address the needs of the public and we recommend that the revised standard be effective sooner rather than later. The manner in which an agreed-upon procedure will be performed has not changed with this revised standard, rather it is our view that this standard now clarifies what practitioners have been doing to date. It is therefore our view that a 12 month period after approval of the final standard can be agreed to.

We trust that you find our comments detailed above in order.

Yours truly

Minette van der Merwe (PKF SA Head of Technical)

Date: 15 March 2019