



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

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(Submitted electronically)

Technical Director
International Auditing and Assurance Standards Board (IAASB)
529, Fifth Avenue, 6th Floor
New York, USA

Comments on the Proposed International Standard on Related Services 4400 (Revised) *Agreed-Upon Procedures Engagements*

The Institute of Chartered Accountants of Pakistan (ICAP) is pleased to comment on the Exposure Draft, Proposed International Standard on Related Services 4400 (Revised) *Agreed-Upon Procedures Engagements* (ED 4400 / proposed standard) published by the International Auditing and Assurance Standards Board (the IAASB) in November 2018.

We fully support IAASB's focus and efforts to update and improve extant ISRS 4400 to meet the changing needs of the stakeholders.

Our specific responses detailed by the questions contained in the ED 4400, are presented in the 'Appendix' to this letter.

We hope our comments are helpful to the IAASB's deliberation on the proposed standard.

Should you require further clarification on our comments, please contact the undersigned at sohail.malik@icap.org.pk

Yours truly,

Sohail Malik
Director Technical Services



‘Appendix’

ICAP comments on the questions contained 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 are supportive of the IAASB approach as the proposed standard responds to the needs of stakeholders and addresses public interest issues.

We appreciate IAASB efforts and note that the proposed standard contains considerable enhancements compared to the extant ISRS 4400, in particular the expansion of the scope of the standard to include non-financial subject matters. The supporting application material providing necessary guidance and clarity to the requirements is also a considerable improvement.

We also believe that further clarification and refinement of the proposed standard in the areas relating to the professional judgement, independence and use of a practitioner’s expert would be helpful for clarity and consistency in application. Our explanation on these areas is provided in responses to the specific questions below.

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 understand that a level of professional judgement is required in undertaking an AUP engagement and recognise the IAASB efforts in bringing clarity to this important area.

With regard to the definition of professional judgment we note that it is similar to the definition provided in the ISA 200 & ISAE 3000. Based on the understanding that an assurance engagement is not similar to an AUP engagement, the proposed definition seems broad and therefore requires refinement. Further, the term “professional standards” contained in the proposed definition also requires clarity.

In an AUP engagement the acceptance and agreement to perform procedures would require practitioner’s application of professional judgement. However, the execution of procedures in an AUP engagement would involve limited use of professional judgment. In this context, the requirement to use professional judgment in conducting the engagement (as per para 18 of the ED) would result in the practitioner including subjectivity in the performance of an AUP. Further, under paragraph A16 an explanation that the AUP engagement acceptance and continuance pre-conditions would be affected where more than a limited amount of professional judgement in performing it or in analyzing the results would be helpful. In view of above, we note that the currently drafted guidance on professional judgment may result in unintended consequences that the procedures performed include subjectivity and are not necessarily factual findings.

We suggest that in the proposed standard the role and application of professional judgement be reconsidered and redrafted to align it with the underlying concept of AUP engagement.



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 proposed approach of not including a precondition for the practitioner to be independent when performing AUP engagements.

The ethical considerations are a matter for IESBA attention, and Code of Ethics does not require independence for AUP engagements. Consequently, we support the approach that allows the practitioner and the engaging parties to mutually agree, within the terms of the engagements, to set independence as a necessary precondition.

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?

IESBA Code of Ethics does not specify independence for AUP engagements. We believe that without being able to link back to specific IESBA independence requirements, the proposed independence statement in the report may become confusing to users, as inconsistencies in how the requirements are applied in practice and included within the AUP report may arise. We believe that it would be useful to provide an explanation and illustration of how the basis for the practitioner's statement may be articulated.

Further, we do not support the proposed requirement to state that the practitioner is independent in circumstances in which there is no requirement to be independent. Such a statement would create confusion for the user and reduce the usefulness of the AUP report.

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 definition of "findings" as defined in paragraph 13(f) and its application material in paragraph A10-A11 of the proposed standard. However, we believe that the term 'factual findings', of extant ISRS 4400 more appropriately represents the definition, therefore, it should be retained in the revised standard.

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?

The requirements in paragraphs 20-21 are appropriate for engagement acceptance. However, the application material specifically paragraph A26 suggests that the practitioner needs to perform procedures to satisfy themselves that the AUP engagement procedures are appropriate for the purpose. We believe that this is not necessary as primarily it is the engaging party's responsibility to acknowledge the appropriateness of the planned procedures (as mentioned in paragraph 22(b) and 30 (h) (ii) of the proposed standard).



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?

In an AUP engagement, the expert could be engaged and we agree with the proposed requirements and application material on the use of a practitioner's expert.

Keeping in view the AUP engagement principle, the expert would be engaged in an AUP engagement to apply competence and capabilities but would not be engaged due to the subject-matter requiring subjective interpretation. In this context a clarification in the application material would be useful.

We also support the proposed changes to the AUP report with respect to the practitioner's overall responsibility for the procedures to be performed.

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 believe that the AUP report should be restricted to parties that have agreed to the procedures performed. Therefore, the requirement of extant ISRS 4400 should be carried forward in the revised standard.

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 generally support the content and structure of the proposed AUP report. However, as explained in our response to question 4 above, we do not agree with the statement about the practitioner's independence when the practitioner is not required to be independent.

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.

(a) No comments, as English is the business language in Pakistan.

(b) We believe that providing 18 to 24 months transition period is sufficient before adoption of revised ISRS 4400.