



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

24 March 2017

Mr Matt Waldron  
Technical Director, International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, 10017 USA

Dear Matt

**INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (“IAASB”)  
DISCUSSION PAPER, EXPLORING THE DEMAND FOR AGREED-UPON PROCEDURES  
ENGAGEMENTS AND OTHER SERVICES, AND THE IMPLICATIONS FOR THE IAASB’S  
INTERNATIONAL STANDARDS**

The Auditing and Assurance Standards Board (AASB) of the Malaysian Institute of Accountants (“MIA or the Institute”) welcomes the opportunity to provide its comments on the International Auditing and Assurance Standards Board’s (IAASB’s) Discussion Paper (DP), *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards*.

The attachment sets out our responses to the specific questions contained in the DP.

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR. NURMAZILAH DATO' MAHZAN**

Chief Executive Officer

Our comments to the questions are as follows:

**Q1. Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. However, the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. Is this consistent with your views on the role of professional judgment in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?**

The AASB is of the view that professional judgement has a role in an Agreed-Upon Procedures (AUP) engagement. However, given the nature of an AUP engagement, which is to report on factual findings based on procedures agreed between the practitioner and the engaging party, professional judgement in an AUP engagement should be limited only to professional competence and due care. For example, the practitioner may exercise due care in determining whether the requested procedures contain terminology that is unclear or misleading.

**Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?**

The AASB agrees that the revised International Standard on Related Services (ISRS) 4400, *Engagement to Perform Agreed-Upon Procedures Regarding Financial Information* should include requirements relating to professional judgement in the context of professional competence and due care. However, it should also be clarified that the practitioner is not responsible for the following:

- (a) Determining the sufficiency of procedures to be performed;
- (b) Performing risk assessment;
- (c) Evaluating the sufficiency and appropriateness of the evidence; and
- (d) Reaching any conclusion on the subject matter.

**Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?**

The AASB is of the view that the independence of a practitioner enhances the credibility and confidence to the work performed in an AUP engagement and the AUP report. Nevertheless, in certain situations, especially when there is little or no professional judgement exercised in performing an AUP engagement for the specific use of limited users, it may be sufficient for practitioners to state in their AUP report in cases when they are not independent. Hence, the AASB is agreeable with the current position of the Working Group that the existing approach in ISRS 4400 of requiring a statement in the AUP report where the practitioner is not independent strikes the right balance.

The AASB's view will not change if the AUP report is restricted to specific users.

## Comments (continued)

**Q4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology mean? Would your views change if the AUP report is restricted?**

The AASB agrees with the Working Group that the following should be included in the revised ISRS 4400:

- (a) A prohibition on unclear or misleading terminology;
- (b) Guidance to be applied when unclear or misleading terminology is required by law or regulations;
- (c) Guidance on what constitutes unclear or misleading terminology; and
- (d) Guidance on terminology that is often used appropriately in practice.

The AASB's view will not change if the AUP report is restricted to specific users.

**Q5. What are your views regarding clarifying that the scope of ISRS 4400 includes non-financial information, and developing pre-conditions relating to competence to undertake an AUP engagement on non-financial information?**

Given that there is an existing and increasing market demand for AUP engagements to be performed on non-financial information such as AUP on internal controls and emerging forms of external reporting, the AASB is of the view that it is useful to include non-financial information within the scope of ISRS 4400.

As practitioners may not be knowledgeable on certain non-financial information, it is important that there be guidance in the standard on the appropriate pre-conditions before accepting an AUP engagement on non-financial information. In particular, it should be emphasised that a practitioner should not accept an AUP engagement in the absence of sufficient competency in the subject matter by the engagement team to accept responsibility for the engagement and to perform the engagement. Please also refer to our response on the use of experts in Question 7.

**Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?**

The AASB is of the view that guidance on how procedures and findings can be sufficiently precise and result in objectively verifiable findings would be helpful. An illustrative example of an AUP engagement where the subject matter is non-financial information would be beneficial to assist in the development of wording for AUP and factual findings in an AUP report.

## Comments (continued)

**Q7. Do you agree with the Working Group's views that ISRS 4400 should be enhanced, as explained above, for the use of experts in AUP engagements? Why or why not?**

The AASB disagrees that an involvement of the use of expert should be part of an AUP engagement. For example, an expert such as an engineer or a lawyer could be needed in dealing with the engineering or legal aspects of a contract. The work of an expert should not be included in AUP engagements as it would require the practitioner to exercise judgement on the adequacy of the work carried out and ultimately, the conclusion reached by the expert. Should the work of the expert be required, it would be more appropriately and better served by having the expert to provide the expert's own report directly to the engaging party, similar to a report by a property valuer.

We wish to highlight that in a situation of Initial Public Offerings (IPO) or other capital market transactions which require comfort letters to be issued, the engaging party should be the party that engages the relevant expert directly, instead of mandating the practitioner (i.e. Reporting Accountant) to engage and use the work of an expert, as the investment banker (i.e. Principal Advisor) plays a role of collating and compiling all the relevant work from the respective experts.

**Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?**

**We would be particularly interested in receiving Illustrative reports that you believe communicate factual findings well.**

The AASB supports the suggestion for an additional example report in ISRS 4400 as this would facilitate better communication of the factual findings of an AUP engagement.

**Q9. Do you agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement? If not, what are your views?**

The AASB does not support providing the AUP report to users who are not signatories to the engagement letter. However, the AASB agrees that the AUP report can be provided to a party that is not a signatory to the engagement letter (such as a regulator or funder) provided that party has a clear understanding of the AUP and the conditions of the engagement.

**Q10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.**

The AASB is of the view that the first approach as described in paragraph 44 of the DP is the most appropriate. This will prevent the AUP report being provided to parties that is not signatories to the AUP engagement and mitigate the risk of unintended users misinterpreting the AUP report.

## Comments (continued)

### **Q11. Are there any other approaches that the Working Group should consider?**

The AASB is not aware of other approaches that the Working Group should consider.

### **Q12. Do you agree with the Working Group's view that recommendations should be clearly distinguished from the procedures and factual findings? Why or why not?**

The AASB is of the view that any recommendations should be provided in a separate document, clearly distinguished from the AUP report to avoid confusing users that the providing recommendations is part of the scope of the AUP engagement.

### **Q13. Are there any other areas in ISRS 4400 that need to be improved to clarify the value and limitations of an AUP engagement? If so, please specify the area(s) and your views as to how it can be improved.**

The AASB recommends the IAASB to address in the standard the requirement on written representation in connection with an AUP engagement. It would be helpful to describe circumstances when a written representation may be required, to state examples of matters to be included in the representation letter and implications when the requested written representation is not provided to the practitioner.

### **Q14. What are your views as to whether the IAASB needs to address multi-scope engagements, and how should this be done? For example, would non-authoritative guidance be useful in light of the emerging use of these types of engagements?**

The AASB is of the view IAASB needs to address multi-scope engagements given that there is an increasing demand for these types of engagements. The IAASB should provide guidance on addressing practical application issues that may arise in multi-scope engagements.

### **Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?**

The AASB agrees that issues within ISRS 4400 should be prioritised and addressed before multi-scope engagements are addressed.