

March 16, 2019
Ref.: SEC/019/2019 - DN

International Assurance and Auditing Standards Board for Accountants (**IAASB**)
545 Fifth Avenue, 14th Floor
New York, NY 10017
USA

Dear Sirs,

We, Ibracon – Instituto dos Auditores Independentes do Brasil (Institute of Independent Auditors of Brazil), appreciate the opportunity to comment on the Exposure Draft: Proposed International Standard on Related Services 4400 (Revised). See our comments below.

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 pointed out some issues in the following questions, but we considered that the overall objective of the ED was achieved with the inclusion of the areas related to professional judgment, independence, engagement acceptance and continuance, use of practitioner's expert and report restrictions.

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?

We do not agree with the inclusion of paragraphs 13(j) and 18 and related application material the way is written. As we mentioned in our responses to the discussion paper, professional judgment within the context of an AUP should be limited to the initial phase that is, engagement acceptance decision and planning / design the procedures. During that stage, the practitioner is required to analyze and determine if the third party's request adequately fits the scope required by the ISRS 4400. Thus, once professional judgement is properly applied within the initial determination of the procedures, no additional professional judgment should be observed when conduction the AUP. Professional judgment, when required after the initial phase - conducting the AUP and corresponding findings, is not appropriate in the ISRS 4400 scope. This scenario can suggest that the engagement is related to assurance.

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?

We agree with not including a precondition for the practitioner to be independent when performing an AUP engagement. However, we would like to suggest the revision of the wording in the paragraph 30 (f), because the text presented in the ED can result in a misleading understanding of the independence requirements by readers. For example, in the illustration 2 of the ED, we recommend the following change:

“Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements (“ISRS 4400 (Revised)”). ~~In performing this engagement, we are not required to be independent.~~, which does not require us a determination regarding independence.”

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 have diverging views about this topic among firms associated with Ibracon. Some of our associates do not agree with the view mentioned in the table of paragraph 22, as they believe that, in all scenarios the practitioner is not required to be independent and, hence, it is sufficient to include a statement that ‘the practitioner is not required to be independent’ in the AUP report.

Nevertheless, some of our associates believe that, in circumstances where the auditor is not required to be independent, if he or she is independent, the AUP report should contain a statement that the practitioner is independent and the basis thereof. When he or she is not independent, it would be appropriate to include a statement in the AUP report that the practitioner is not required to be independent and that the practitioner is not independent.

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?

Yes.

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?

Yes.

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.

AUP Report

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 with the exclusion of the restriction related to the distribution of the AUP report. However, we believe that in some cases can be important to maintain the restriction on the use, because only the engaging parties acknowledge that the scope of AUP is appropriate for the purpose of the engagement and the nature, timing and extent of the procedures to be performed. We suggest the inclusion of additional examples of situations where this restriction may be important for a public interest perspective.

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 structure of the proposed AUP except for:

- The independence issue as mentioned in questions 3 and 4;
- The restriction on the use as mentioned in question 8.

In addition, although AUP engagements involve the objective performance and reporting of procedures, we would like to suggest the inclusion of a requirement about written representations to assure that the practitioner had access to all records relevant to the AUP.

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.

(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 do not identify any translation issues and we agree with the time proposed for the effective date. Considering that there were no significant changes, we believe a shorter period can be practicable (12 months) after the approval of the final ISRS.

Best Regards,



Francisco A.M. Sant'Anna
President



Rogério Hernandez Garcia
Technical Director