15 March 2019

Dear Mr Botha

Re: Proposed International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements

We appreciate the opportunity to comment on the above Exposure Draft (ED) issued by the IAASB. We have consulted with, and this letter represents the views of, the KPMG network.

We support the efforts made by the IAASB to clarify and modernise this standard. We set out our views on key aspects of the ED below, together with our concerns regarding certain amendments, as well as suggestions for further consideration and clarification. The appendix to this letter provides our responses to the specific questions posed in the ED.

Professional Judgment

We are supportive of the enhancements to the ED in respect of professional judgement in an agreed-upon procedures (AUP) engagement, however, we are concerned that the definition, in referring to “relevant training, knowledge and experience, within the context provided by professional standards”, is not sufficiently precise in terms of which professional standards are referenced, as well as which training, knowledge or experience may be relevant.

As drafted, the reference in the ED to “professional standards”, especially if considered together with the reference to “relevant” training, knowledge and experience, may result in a broad interpretation by stakeholders to incorporate audit and assurance training, knowledge and experience, as well as matters addressed by audit and assurance standards. It may even be inferred by users that professional scepticism, in addition to professional judgement, is expected to be exercised by a practitioner, which we do not consider to be relevant or appropriate in an agreed-upon procedures engagement.
Accordingly, we suggest that the IAASB revise the definition to restrict reference to professional standards to ISRS 4400 (Revised) and applicable ethical requirements, and similarly clarify that training, knowledge and experience is specifically regarding agreed-upon procedures engagements.

Exercise of Professional Judgement When Determining That the Preconditions for an AUP Engagement Exist

We agree that it is critical that a practitioner exercise professional judgement when accepting an engagement. However, we are concerned that, as drafted in paragraph 18, there is equal emphasis on the need to exercise professional judgement in “conducting” the engagement. This appears to contradict a key feature of agreed-upon-procedures engagements, which is also included in the definition of “findings” at paragraph 13(f), that “findings are capable of being objectively verified and objectively described”.

We recommend, therefore, that the IAASB clarify this in the application material by emphasising that such considerations are made mainly at the preliminary stages of the engagement, and avoiding undue emphasis regarding exercise of professional judgement during the performance of the engagement.

Does the Engagement Have a Rational Purpose?

We further suggest that paragraph 21 be expanded to also require the practitioner to assess, as a precondition to an agreed-upon procedures engagement, that there is a rational purpose to the engagement. We recognise that paragraph 21 requires the practitioner to understand the purpose of the AUP engagement and if, based on that understanding, the practitioner is aware of any facts or circumstances suggesting the procedures the practitioner is being asked to perform are inappropriate for the purpose of the engagement, the practitioner is not to accept the engagement. We highlight that consideration as to whether there is a rational purpose to the engagement would involve the practitioner considering whether the actual purpose of the engagement is appropriate, in addition to merely understanding the purpose. We suggest that the IAASB develop related application material to describe that such assessment would include identification of the (intended) users of the practitioner’s report and consideration of their needs, as well as consideration as to whether an agreed-upon procedures engagement, as opposed to another form of engagement, e.g. an assurance engagement or an advisory engagement, would be the most appropriate deliverable.

Independence

We agree with the IAASB’s proposal not to include a pre-condition for the practitioner to be independent when performing an AUP engagement, in particular, because the
extant IESBA Code does not address independence with reference to the specific context of an AUP engagement and therefore many practitioners do not have a basis to make such an assessment.

We support the IAASB’s proposed solution, which we believe strikes an appropriate balance between acknowledging the value of independence (and recognising that this may be required in certain circumstances, e.g. when jurisdictional laws and regulations require this), whilst avoiding a requirement that may be unnecessarily restrictive, and not practicable to apply.

As the IAASB acknowledges, certain parties, e.g. regulators in particular jurisdictions, may establish requirements for a practitioner to be independent when performing an AUP engagement. We therefore suggest that IAASB liaise with IESBA to discuss how the relevant provisions within the IESBA Code would be applied to address such requirements in these circumstances, or whether amendments to the Code may be appropriate.

We are supportive of the objective of transparency and the proposed requirement, at paragraph 30(g), that irrespective of the fact that the standard does not require the practitioner to be independent, the practitioner states that they are not independent, when this fact is known. However, we agree that a practitioner should not be required to make such an assessment.

We recommend that in these circumstances the ED require, in addition to a statement that the practitioner is not independent, that the practitioner explain that ISRS 4400 (Revised) does not require the practitioner to assess independence; to clearly state the basis that the practitioner has used to make the determination of non-independence, e.g. a jurisdictional legal/ regulatory framework, and to also state that the practitioner has complied with relevant ethical requirements. Furthermore, in respect of relevant ethical requirements, it may be helpful for the practitioner to comment that they have complied with the principles of professional competence and objectivity, as users may otherwise question the value of the engagement and the practitioner’s report. We suggest that the application material provide appropriate guidance to practitioners regarding the above.

In stating that we are supportive of the proposed requirement at 30(g), we note that ISRS 4410 (Revised), Compilations, contains an equivalent requirement to disclose non-independence and conceptually we believe the two standards should be aligned in this area since both are non-assurance engagements in which no opinion/conclusion is provided. We suggest that the Board explore the application of the requirement in ISRS 4410 (Revised), in practice, to understand whether there may be any unintended consequences resulting from the proposed requirement based on the application of jurisdictional frameworks.
We highlight that statements that a practitioner is not independent, has not assessed independence and/or is not required to be independent for purposes of an AUP engagement may cause confusion to users of the report when the practitioner is also the independent auditor of the entity, in particular, when the AUP report may be distributed to a wide readership who may not understand the difference between being independent for the purposes of the audit and being independent in the specific context of the AUP engagement.

To address this concern, we recommend that the IAASB provide guidance in the application material that practitioners may consider inclusion of commentary in their reports to describe that practitioners are not required to assess independence for the purposes of an AUP engagement, but that they were/are required to for the audit engagement at the entity, and they were/ are independent for purposes of the audit.

Acceptance and Continuance

We welcome the inclusion of requirements and related application material setting out pre-conditions that must be fulfilled before a practitioner may accept an AUP engagement.

We note that there are various instances of use of the terminology “the engaging party acknowledges the appropriateness of the procedures”, e.g. at paragraph 4, 20(a), 22(b), and 30(h)(ii). Furthermore, there are references to the practitioner’s responsibility to “agree the procedures to be performed”, e.g. at paragraph 12, 13(a) and 30(h)(ii). We suggest that the IAASB amend such references to make clear that the engaging party is ultimately the party that is responsible for determining the procedures to be performed, and the practitioner is responsible for considering whether, based on their understanding of the purpose of the engagement, they are aware of any facts or circumstances suggesting that the procedures they are being asked to perform are inappropriate, in which case they are not to accept the engagement, as described at paragraph 21.

Use of a Practitioner’s Expert

Regarding the proposed changes in respect of using a practitioner’s expert, we do not believe the definition at 13(i), which refers to “expertise in a field other than assurance”, is appropriate in the context of an AUP engagement and we recommend that the IAASB remove reference to the broader term of “assurance” and replace with “agreed-upon procedures”.

Furthermore, we are concerned about the statement at paragraph 31, “If the practitioner refers to the work performed by the practitioner’s expert...”. Although an AUP engagement is different to an assurance engagement in which the practitioner forms an opinion/conclusion over the subject matter information as a whole, we
consider that the practitioner performs procedures and reports findings specific to a particular purpose, and as such, is responsible for the overall quality of these procedures and findings as described in A44. This is clear in that the engagement is described as a whole, linked to a unified purpose, and assessments such as collective capability and competence of the engagement team are made as a whole, and not procedure by procedure. As a result, we do not believe it appropriate that the practitioner may divide responsibility and make reference to expert(s). Accordingly, we suggest that paragraph 31 state that “The practitioner’s report of factual findings shall not make reference to the work of an expert, unless required by law or regulation to include such a reference”. Instead we consider that any work performed by an expert is embedded in the procedure itself, for which the practitioner takes full responsibility.

We recognise that the IAASB has attempted to introduce certain requirements regarding using an expert from auditing/assurance standards, to improve the understanding of the practitioner’s responsibilities in this area in an AUP engagement, and possibly to pave the way for more complex AUP engagements, in respect of (multiple) subject matters that may require expertise beyond that which a practitioner would ordinarily possess.

However, we have some concerns about the applicability of this concept to AUP engagements, as we believe the underlying principles may not translate fully to AUP engagements. Audit and assurance standards acknowledge that an expert (in a matter other than auditing and accounting) may need to be involved in order to assist the auditor/assurance practitioner to obtain sufficient appropriate (audit) evidence, such that the auditor/assurance practitioner is able to form an opinion/conclusion over the subject matter information as a whole. However, we believe this is less likely to be appropriate in an AUP engagement in which the practitioner is executing individual procedures over specific subject matter information and reporting findings in the form of factual results on each procedure as opposed to forming an opinion/conclusion over information as a whole.

If a practitioner does not have sufficient expertise in the underlying subject matter then it may not be appropriate for them to accept the AUP engagement. It may be helpful to include this as a more explicit pre-condition to accepting an AUP engagement, as part of considering the professional competence and capabilities of the engagement team. This is because the findings from each procedure stand individually and therefore the practitioner may not be able to take responsibility for any individual finding if the majority of a procedure has been performed by another party.

We are also concerned because the use of an expert may suggest that, in certain circumstances, there may need to be exercise of professional judgement above and beyond that which would usually be contemplated in an AUP engagement, and furthermore, that the findings from the procedures may not be capable of being objectively verified and described (presumably by a “reasonable” practitioner who is not
an expert), which is a fundamental principle of an AUP engagement. Please refer to our response to question 7 in the appendix to this letter for further details.

Accordingly, we recommend that the IAASB include more guidance regarding the need to exercise professional judgement in determining whether the level of involvement of the expert is appropriate in the engagement circumstances, as to when this may or may not be proportionately too extensive, or relate to relatively more complex versus routine matters, such that the practitioner is still able to take responsibility for the individual procedure(s) and related findings. We also recommend the inclusion of practical examples in the application material as to when it would/would not be appropriate to use the work of an expert or other practitioner. Such considerations would need to be linked to engagement acceptance/continuance decisions, consideration as to whether the preconditions for an AUP engagement are present, and whether the engagement has a rational purpose.

Restriction in Use and Distribution of the AUP Report

We recognise the amendments that the IAASB has included in the ED, to allow for greater flexibility in agreeing the terms of the engagement, acknowledging the practical difficulties that may arise for both the engaging party and the practitioner in agreeing the procedures when there are intended users beyond the engaging party.

We understand that in concluding not to require an extension of the engaging party’s acknowledgement that the procedures are appropriate to also cover acknowledgement that the procedures are appropriate for the purpose of the intended users, the IAASB noted that it may not be practicable for the engaging party to “sign off” on the needs of all the intended users. However, we recommend that the application material address obtaining acknowledgment that the procedures are appropriate to the needs of the engaging party and other intended users, from the engaging party, prefaced by “to the best of their knowledge and belief” or similar, or that the practitioner obtain a written representation that the engaging party considered the needs of intended users in determining the procedures.

We are generally supportive of the IAASB’s rationale for proposing complementary changes to the ED to no longer require the report to be restricted to parties that have agreed to the procedures, on the basis that not all intended users will/are able to formally agree to these or to the terms of the engagement more broadly, and to formally restrict the report may therefore have unintended consequences.

We note that there will be variation in the approach to inclusion of restriction in use and distribution clauses across jurisdictions, as a result of differences in legal and regulatory requirements in this area, as well as accepted practice. We believe the proposed approach to instead guide practitioners to consider including a restriction in use and/or distribution clause, but not to mandate it, is appropriate, as it enables the
practitioner to respond as appropriate in the prevailing legal and regulatory environment.

However, as a result of the expectation gap in this area, as to the nature and purpose of AUP engagements, the practitioner’s responsibilities, and the fact that AUP engagements are usually performed for a highly specific purpose, we do have concerns that user groups may obtain and base decisions on AUP reports without understanding the nature or purpose of the engagement, which would clearly not be in the public interest. This may be of particular concern in situations where the AUP report is made more widely available, such as by including it on a company’s website. Accordingly, we suggest that the application material at A43 regarding the practitioner’s consideration as to whether to indicate that the AUP report is intended solely for the engaging party and intended users, e.g. by restricting the use or distribution of the report, be elevated to a requirement, i.e. a requirement for the practitioner to consider including such an indication.

In connection with the above, we are also supportive of the proposed requirement, at paragraph 30(m), to identify the purpose of the report and to include a statement that the report may not be suitable for another purpose. This is particularly important if there may not be a formal restriction in use and/or distribution clause in the report. We suggest that the IAASB enhance the proposed requirement to help ensure that the statement is sufficiently prominent, e.g. to require a heading (we note that the equivalent requirement in ISA 800 (Revised) is to include an Emphasis of Matter paragraph), and language that makes clear that this is a “warning”. It may also be helpful for this to be required earlier in the report, before the details of the procedures themselves and the findings thereon.

Please contact Sheri Anderson if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited
Appendix: Responses to Questions

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

We support the efforts made by the IAASB to clarify and modernise this standard. However, we have identified areas we believe require further consideration or clarification. We set out our views on the specific questions raised in the ED below, together with our concerns regarding certain aspects, as well as suggestions for further enhancement. In particular, these relate to:

— Professional judgment;
— Independence;
— Engagement acceptance and continuance;
— Description of the purpose of the AUP report/ restriction in use and distribution of the report; and
— Use of a practitioner’s expert.

2. Do the definition, requirements and application material on professional judgement in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgement plays in an AUP engagement?

We are supportive of the inclusion of a definition, new requirement and related application material in respect of professional judgement in an agreed-upon procedures engagement. We agree with the IAASB’s assessment that “although the exercise of professional judgement in an AUP engagement is different to the exercise of professional judgement in an assurance engagement, it is not suspended altogether.”

Notwithstanding the above, we are concerned that the definition, in referring to “relevant training, knowledge and experience, within the context provided by professional standards”, is not sufficiently precise in terms of which professional standards are referenced, as well as which training, knowledge or experience may be relevant.

We understand that the definition may be derived from the equivalent definition set out in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, however, we note that the definition in ISAE 3000 (Revised) includes reference specifically to assurance standards, and not professional standards more broadly. As drafted, the reference in the ED to “professional standards”, especially if considered together with the reference to “relevant” training, knowledge and experience, may result in a broad interpretation by stakeholders to incorporate audit and assurance training, knowledge and experience, as well as
matters addressed by audit and assurance standards. It may even be inferred by users that professional scepticism, in addition to professional judgement, is expected to be exercised by a practitioner, which we do not consider to be relevant or appropriate in an agreed-upon procedures engagement.

Accordingly, we suggest that the IAASB revise the definition to restrict reference to professional standards to ISRS 4400 (Revised) and applicable ethical requirements, and similarly clarify that training, knowledge and experience is specifically regarding agreed-upon procedures engagements.

**Exercise of Professional Judgement When Determining That the Preconditions for an AUP Engagement Exist**

Regarding the applicability of the requirement for the practitioner to exercise professional judgement in “accepting and conducting” an agreed-upon procedures engagement, we agree that it is critical that a practitioner exercise professional judgement when accepting an engagement, i.e. when determining whether the preconditions for an agreed-upon procedures engagement are present, as described at paragraph 20, and whether, as described at paragraph 21, based on the practitioner’s understanding of the purpose of the engagement, the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon-procedures engagement. Accordingly, we welcome the inclusion of examples such as “discussing the nature, timing and extent of the procedures to be performed” in the related application material.

In connection with this, we suggest that paragraph 21 be expanded to also require the practitioner to assess, as a precondition to an agreed-upon procedures engagement, that there is a rational purpose to the engagement. We recognise that paragraph 21 requires the practitioner to understand the purpose of the AUP engagement and if, based on that understanding, the practitioner is aware of any facts or circumstances suggesting the procedures the practitioner is being asked to perform are inappropriate for the purpose of the engagement, the practitioner is not to accept the engagement. We highlight that consideration as to whether there is a rational purpose to the engagement would involve the practitioner considering whether the actual purpose of the engagement is appropriate, in addition to merely understanding the purpose. We suggest that the IAASB develop related application material to describe that such assessment would include identification of the (intended) users of the report and consideration of their needs, as well as consideration as to whether an agreed-upon procedures engagement, as opposed to another form of engagement, e.g. an assurance engagement or an advisory engagement, would be the most appropriate deliverable. The application material at A27 and A28, as well as A16, allude to this, however, we believe the standard should address this more explicitly, as in many circumstances, this consideration may be a fundamental aspect of the engagement acceptance decision.
We are concerned that, as drafted in paragraph 18, there is equal emphasis on the need to exercise professional judgement in “conducting” the engagement, as well as in “accepting” the engagement. This appears to contradict a key feature of agreed-upon-procedures engagements, which is also included in the definition of “findings” at paragraph 13(f), that “findings are capable of being objectively verified and objectively described”.

We agree that the practitioner needs to apply professional judgement in considering, when agreeing the procedures at the engagement acceptance stage, whether related findings would be expected to be capable of being verified and described in an objective manner, and considering whether terminology expected to be used in descriptions of both procedures and findings may be unclear, misleading, or subject to varying interpretations.

We highlight that the practitioner complies with the ethical principles of professional competence and objectivity in performing the procedures, which we believe address the considerations the practitioner makes in, for example, amending procedures during the course of the engagement.

We recommend, therefore, that the IAASB clarify this in the application material by emphasising that such considerations are made mainly at the preliminary stages of the engagement, and avoiding undue emphasis regarding exercise of professional judgement during the performance of the engagement.

We also suggest that the last sentence of paragraph A16 be amended to state that “The more the performance of a procedure requires the exercise of professional judgment in addition to professional competence and objectivity, the more the practitioner may need to consider whether the condition that … is present”.

We recognise that in certain circumstances the practitioner may need to modify certain agreed-upon procedures, or discuss the performance of additional procedures with the engaging party, for example, if new information comes to light during the engagement. We recommend the IAASB consider the inclusion of more detailed guidance and examples regarding this scenario, including consideration of whether, in amending the procedures that have been agreed to, the practitioner needs to exercise professional judgement about whether the pre-condition that the agreed-upon procedures and findings are capable of being described objectively, in terms that are clear, not misleading and not subject to varying interpretations, remains present.

Furthermore, new information may have a bearing on matters such as the practitioner’s understanding of the purpose of the engagement, and whether procedures may be inappropriate, as well as on considerations that are critical at the engagement acceptance stage, such as whether the practitioner has any concerns regarding the integrity of management. We recommend that the IAASB also provide guidance in the
ED as to the steps a practitioner may take if information becomes known to the practitioner during the course of performing the engagement, that, had it been known to the practitioner at the time of engagement acceptance, may have caused the practitioner not to accept the engagement, or may have had a significant bearing on the nature and extent of the procedures agreed upon. Such guidance may address, for example, discussing the matter with the engaging party, seeking legal advice, and whether the practitioner may withdraw from the engagement, if permitted by local laws and regulations.

Additionally, we suggest that the application material clearly explain that although the practitioner exercises professional judgment if they become aware of certain matters, e.g. potential NOCLAR or fraud, they are not required to perform procedures to identify such circumstances, or even to remain alert for them, as would be applicable in an audit or assurance engagement, as an AUP engagement is not an audit/ assurance 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 the IAASB’s proposal not to include a pre-condition for the practitioner to be independent when performing an AUP engagement, in particular, because the extant IESBA Code does not address independence with reference to the specific context of an AUP engagement and therefore many practitioners do not have a basis to make such an assessment.

We support the IAASB’s proposed solution, which we believe strikes an appropriate balance between acknowledging the value of independence (and recognising that this may be required in certain circumstances, e.g. when jurisdictional laws and regulations require this), whilst avoiding a requirement that may be unnecessarily restrictive, and not practicable to apply.

As the IAASB acknowledges, certain parties, e.g. regulators in particular jurisdictions, may establish requirements for a practitioner to be independent when performing an AUP engagement. We therefore suggest that IAASB liaise with IESBA to discuss how the relevant provisions within the IESBA Code would be applied to address such requirements in these circumstances, or whether amendments to the Code may be appropriate.

The current provisions in the Code enable the practitioner to assess independence in the context of performing an AUP engagement for an audit or assurance client as to
whether the practitioner remains independent of that client/in respect of that audit/assurance engagement if they accept the AUP engagement. However, the Code does not address making such an assessment in the context of the particular AUP engagement, which has a very specific subject matter, and may involve communicating with different personnel at the entity to those with whom the practitioner communicates when performing an audit or assurance engagement. Additionally, it does not address circumstances whereby a practitioner who is not the auditor or an assurance provider to the entity is requested to perform an AUP engagement by the entity.

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 agree with the IAASB’s view that transparency regarding the practitioner’s independence (in particular, the lack thereof), as set out in the Explanatory Memorandum (EM), is important to the public interest. In connection with the aim to improve transparency, we note that, in accordance with the requirements in the extant standard, when a practitioner states that they are not independent, this may lead to stakeholder confusion as to whether the practitioner is, in fact, not independent or whether the practitioner has just not assessed independence, as they are not required to do so/it is not practicable to do so, since the extant IESBA Code does not include related criteria.

Accordingly, we are supportive of the IAASB’s aim to improve clarity around independence disclosures in the practitioner’s report, whilst adhering to the principle that independence is not a required precondition when performing an AUP engagement. We agree that the revisions proposed in the ED allow for the different permutations of the interaction of ethical requirements set out in the extant IESBA Code and/or local legal or regulatory requirements that may be more stringent; any terms of the AUP engagement itself that may set out additional requirements; the engagement circumstances, such as whether the report will be made publically available, and whether or not a practitioner has actually determined independence.

These are set out in the table at paragraph 22 of the EM, and we suggest that this table be included in the application material to the final standard, as it is clear and helpful. We suggest that the table, and the requirements at paragraph 30 of the ED, be modified to address the situation where the practitioner is not required to be independent, such that this fact is stated in all circumstances, and the practitioner then discloses whether or not an assessment of independence has nevertheless been
made, and the results of that assessment, if any, given that this appears to cause some confusion further to the extant standard requirements.

Furthermore, this may be an area where exercise of professional judgement is required and therefore we recommend including this as a specific example of the exercise of professional judgement at the preliminary stages of the engagement.

We are supportive of the objective of transparency and the proposed requirement, at paragraph 30(g), that irrespective of the fact that the standard does not require the practitioner to be independent, the practitioner states that they are not independent, when this fact is known. (We note that this requirement should also include that the practitioner should state the basis for the assessment, similar to paragraph 30(f)(ii)b). However, we agree, as we describe in our response to the previous question, that a practitioner should not be required to make such an assessment.

We recommend that in these circumstances the ED require, in addition to a statement of non-independence, that the practitioner explain that ISRS 4400 (Revised) does not require the practitioner to assess independence; to clearly state the basis that the practitioner has used to make the determination of non-independence, e.g. a jurisdictional legal/ regulatory framework, and to also state that the practitioner has complied with relevant ethical requirements. Furthermore, in respect of relevant ethical requirements, it may be helpful for the practitioner to comment that they have complied with the principles of professional competence and objectivity, as users may otherwise question the value of the engagement and the practitioner’s report. We suggest that the application material provide appropriate guidance to practitioners regarding the above.

In stating that we are supportive of the proposed requirement at 30(g), we note that ISRS 4410 (Revised), Compilations, contains an equivalent requirement to disclose non-independence, and conceptually we believe the two standards should be aligned in this area since both are non-assurance engagements in which no opinion/ conclusion is provided. We suggest that the Board explore the application of the requirement in ISRS 4410 (Revised), in practice, to understand whether there may be any unintended consequences resulting from the proposed requirement based on the application of jurisdictional frameworks.

We highlight that statements that a practitioner is not independent, has not assessed independence and/or is not required to be independent for purposes of an AUP engagement may cause confusion to users of the report when the practitioner is also the independent auditor of the entity, in particular, when the AUP report may be distributed to a wide readership who may not understand the difference between being independent for the purposes of the audit and not being independent in the specific context of the AUP engagement.
To address this concern, we recommend that the IAASB include guidance in the application material that practitioners may consider inclusion of commentary in their report to describe that the practitioner is not required to assess independence for the purposes of an AUP engagement, but that they were/are required to for the audit engagement at the entity, and they were/ are independent for purposes of the audit.

5. **Do you agree with the term “findings” and the related definitions and application material paragraphs 13(f) and A10-A11 of ED-4400?**

We are supportive of the proposed changes to this term and to the definitions and application material, including the fact, that, as described at paragraph A11, in some jurisdictions the term “findings” may be replaced with “factual findings”.

However, we note that there is some inconsistency in the ED in that in certain instances reference is made only to “objectively described” and not “objectively verified”, e.g. at paragraphs 20(b), A16, A20 and A22. We recommend that the IAASB include both references in all instances, for clarity and consistency, as this is a key feature of AUP engagements.

We also question whether there should be guidance as to who may objectively verify and describe the procedures to arrive at the same results, in the context of the updated requirements regarding the engagement partner’s responsibility for being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the engagement (as described at 19(b)(ii)), and also of requirements in connection with the use of practitioner’s experts (19(b)(ii); 28). This is on the basis that the more professional judgement is required to evaluate the competence and capabilities of the engagement team, and the more it becomes necessary to use senior team members or an expert to assist the engagement team in performing the procedures, the greater the likelihood that the procedures may not be capable of being objectively verified or described, even by another experienced practitioner, i.e. this may contradict the presumed ability to always arrive at the same results. Similarly, we are concerned with the references to professional judgement in the context of engagement performance. Please see our response to Question 2 for further details. We suggest the standard refer to verification by a “similarly experienced” practitioner, to clarify this requirement.

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 welcome the inclusion of these paragraphs and related application material, as we consider it appropriate to require these pre-conditions to be present before the practitioner may accept an AUP engagement.
As we describe in our response to Question 2, we suggest that paragraph 21, which requires the practitioner to obtain an understanding of the purpose of the agreed-upon procedures engagement before accepting it, be expanded to require the practitioner to assess that there is a rational purpose to the engagement, before engagement acceptance. Such consideration may include whether an agreed-upon procedures engagement, as opposed to another engagement type, e.g. an assurance engagement or an advisory engagement, is the most appropriate deliverable.

We also suggest that the requirement, at 20(b), that the agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations, include clearer cross-reference to the requirements and guidance regarding the application of professional judgement in determining whether procedures are capable of being performed and described objectively, as well as to include guidance that professional judgement is required in determining the level of granularity appropriate/necessary in the description of procedures, both in agreeing the scope of the procedures and in the report itself. For example, in some cases it will be appropriate for every test to be described in detail and in other cases it may be appropriate to group tests together under summary descriptions. As noted elsewhere in the ED, the key concept is that another practitioner would be able to replicate the test and obtain the same findings from the description. Accordingly, we are supportive that the ED allows practitioners to apply a degree of professional judgement in describing the procedures and findings where the nature and scope of the procedures are well understood by users.

We believe the application material at A22 – 24 is particularly helpful here in providing details of appropriate terminology to use in describing the procedures.

We note that the guidance at A18 refers to whether the engagement partner has cause to doubt management’s integrity to a degree that is likely to affect proper performance of the engagement, in which case it may not be appropriate to accept it. Whilst we are supportive of the inclusion of the considerations in A18, we note that, given the nature of an AUP engagement, concerns over the integrity of management are less likely to affect the “proper performance” so much as that they may affect the practitioner’s considerations as to whether the engagement has a rational purpose, or whether, based on the practitioner’s understanding of the purpose of the engagement, the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon-procedures engagement, in which case the practitioner is not to accept the engagement. As such, it may be helpful for the ED to clarify that such considerations are made as part of engagement acceptance, and involve the exercise of professional judgement. Furthermore, we suggest that the application material at A18 include a cross-reference to ethical considerations such as not being associated with misleading information.
We recognise that paragraph 21 requires the practitioner to understand the purpose of the AUP engagement and if, based on that understanding, the practitioner is aware of any facts or circumstances suggesting the procedures the practitioner is being asked to perform are inappropriate for the purpose of the engagement, the practitioner is not to accept the engagement. We highlight that consideration as to whether there is a rational purpose to the engagement would involve the practitioner considering whether the actual purpose of the engagement is appropriate, in addition to merely understanding the purpose. As drafted, the requirement may also be interpreted to suggest that the practitioner has a more active responsibility to identify matters such as NOCLAR or fraud in conducting the procedures, which we do not believe to be the case. Please see also our response to Question 2.

We note that there are various instances of use of the terminology “the engaging party acknowledges the appropriateness of the procedures”, e.g. at paragraph 4, 20(a), 22(b), and 30(h)(ii). Furthermore, there are references to the practitioner’s responsibility to “agree the procedures to be performed”, e.g. at paragraph 12, 13(a) and 30(h)(ii). We suggest that the IAASB amend such references to make clear that the engaging party is ultimately the party that is responsible for determining the procedures to be performed, and the practitioner is responsible for considering whether, based on their understanding of the purpose of the engagement, they are aware of any facts or circumstances suggesting that the procedures they are being asked to perform are inappropriate, as described at paragraph 21.

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 recognise that the IAASB has attempted to introduce requirements regarding using an expert from auditing/assurance standards, to improve the understanding of the practitioner’s responsibilities in this area, and possibly to pave the way for more complex AUP engagements, in respect of (multiple) subject matters that may require expertise beyond that which a practitioner would ordinarily possess.

We have some concerns about the applicability of this concept to AUP engagements, as we believe the underlying principles do not translate fully to AUP engagements. Audit and assurance standards acknowledge that an expert (in a matter other than auditing and accounting) may need to be involved in order to assist the auditor/assurance practitioner to obtain sufficient appropriate (audit) evidence, such that the auditor/assurance practitioner is able to form an opinion over the subject matter information as a whole. However, we believe this is less likely to be appropriate in an AUP engagement in which the practitioner is executing individual procedures over specific subject matter information and reporting findings in the form of factual results.
on each procedure as opposed to forming an opinion/conclusion over information as a whole.

If a practitioner does not have sufficient expertise in the underlying subject matter then it may not be appropriate for them to accept the AUP engagement. It may be helpful to include this as a more explicit pre-condition to accepting an AUP engagement, as part of considering the professional competence and capabilities of the engagement team, and which would require the exercise of professional judgement. This is because the findings from each procedure stand individually and therefore the practitioner may not be able to take responsibility for any individual finding if the majority of a procedure has been performed by another party.

We are also concerned because the use of an expert may suggest that, in certain circumstances, there may need to be exercise of professional judgement above and beyond that which would usually be contemplated in an AUP engagement, and furthermore, that the findings from the procedures would not be capable of being objectively verified and described, which is a fundamental principle of an AUP engagement. Please refer to our response to Question 2 for further details.

Related to this is the consideration of resources – i.e. the more senior, or the more expert the resources need to be, the more this may point away from an AUP engagement. Please refer to our response to Question 5. We note that the description of the value of the engagement, at paragraph 4 of the ED, results from compliance with professional standards, including ethical requirements, and clear communication of the procedures and the findings. Unlike audit/ assurance standards, it does not refer to skills, knowledge and experience of the practitioner. Since the procedures should be capable of being objectively verified, presumably by a “reasonable” practitioner who is not an expert, we suggest the IAASB consider whether the concept of skills and experience, and the “collective competence and capabilities of the engagement team, including experts”, as described at paragraph 19(b)(ii), is appropriate.

As a result of the above, it may be more appropriate, in certain circumstances, for the engaging party to separately contract with the expert to obtain their findings over the specialist subject matter information, and then to consider these findings, together with those of the practitioner resulting from other procedures that the practitioner is capable of performing, in forming their conclusion. We do not believe it is appropriate for the practitioner to do this, i.e. to act as a central point of contact to “sub-contract” discrete procedures to other parties, to collate their findings, and present these in their own report, as this may be misleading, for example, it may suggest that the practitioner is forming a conclusion over the procedures as a whole, or endorsing the work of an expert.

We note that our concerns above would also apply to any involvement of another practitioner, not only an expert, for example, if the practitioner were requested to
perform an AUP engagement and a significant proportion of procedures related to a service organisation, such that the practitioner would need to use the work of another practitioner.

Accordingly, we recommend that the IAASB include more guidance regarding the need to exercise professional judgement in determining whether the level of involvement of the expert is appropriate in the engagement circumstances, as to when this may or may not be proportionately too extensive, or relate to relatively more complex versus routine matters, such that the practitioner is still able to take responsibility for the individual procedure and related findings. We also recommend the inclusion of practical examples in the application material as to when it would/ would not be appropriate to use the work of an expert or other practitioner. Such considerations would need to be linked to engagement acceptance/ continuance decisions, consideration as to whether the preconditions for an AUP engagement are present, and whether the engagement has a rational purpose.

Notwithstanding our comments above, we note that the definition of an expert in audit/ assurance standards is of an individual/organisation possessing expertise in a “field other than accounting or auditing/ assurance standards”, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence.

We do not believe the definition at 13(i), which also refers to "expertise in a field other than assurance", is appropriate in this context and we recommend that the IAASB remove reference to assurance and replace with agreed-upon procedures.

Furthermore, we are also concerned about the statement at paragraph 31, “If the practitioner refers to the work performed by the practitioner’s expert….”. Although an AUP engagement is different to an assurance engagement in which the practitioner forms an opinion over the subject matter information as a whole, we consider that the practitioner performs procedures and reports findings specific to a particular purpose, and as such, is responsible for the overall quality of these procedures and findings as described in A44. This is clear in that the engagement is described as a whole, linked to a unified purpose, and assessments such as collective capability and competence of the engagement team are made as a whole, and not procedure by procedure. As a result, we do not believe it appropriate that the practitioner may divide responsibility and make reference to expert(s). Accordingly, we suggest that paragraph 31 state that “The practitioner’s report of factual findings shall not make reference to the work of an expert, unless required by law or regulation to include such a reference”. Instead we consider that any work performed by an expert is embedded in the procedure itself, for which the practitioner takes full responsibility.

We also recommend that the IAASB amend paragraph 28(d), which states that “findings reported by the expert adequately describe the results…”. Since the findings
are the results, we suggest that the IAASB instead explain that the findings are to be described objectively, in terms that are clear, not misleading or subject to varying interpretations, in accordance with this pre-condition as set out at paragraph 20(b).

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 recognise the amendments that the IAASB has included in the ED, to allow for greater flexibility in agreeing the terms of the engagement, acknowledging the practical difficulties that may arise for both the engaging party and the practitioner in agreeing the procedures when there are intended users beyond the engaging party.

We understand that, instead of establishing a requirement to extend the engaging party’s acknowledgement, that the procedures are appropriate for the purpose of the engagement, to cover acknowledgement that the procedures are also appropriate for the purpose of the intended users, the IAASB has included, at A26, guidance regarding actions that the practitioner may take to be satisfied that preconditions are met. The EM describes that these actions may also help the practitioner and engaging party to agree on procedures that are appropriate for the intended users. We are supportive of many of these examples, such as requesting the engaging party to distribute a copy of the anticipated procedures and the form and content of the report to the intended users; to obtain acknowledgement from the intended users of the procedures to be performed and/or to discuss the procedures to be performed with appropriate representatives of the intended user(s), as well as for the practitioner to read correspondence between the engaging party and the intended user(s) if the engaging party is not the (only) intended user. We note that, in accordance with our recommendations above, such actions would be closely aligned with considerations in respect of whether there is a rational purpose to the engagement, which would necessarily involve consideration of the needs of the intended user(s).

However, we also highlight that the guidance appears to place significant responsibility on the practitioner to take steps to ensure that the intended user(s)’ needs are met, such as reviewing correspondence between the engaging party and other intended user(s), which may require the exercise of significant professional judgement on the part of the practitioner as to whether there appears to be mutual agreement and a common understanding. Furthermore, the guidance is unclear as to the extent to which the practitioner is required to identify intended users other than the engaging party and determine that their needs are met, e.g. whether there is an expectation that the practitioner would follow up regarding absence of responses or verify that the engaging party has indeed communicated clearly with such parties. This may be particularly difficult in situations where there will be a broad user group, such as if the entity intends to make the report public by posting it online. Accordingly, to help ensure that there is
an appropriate balance of responsibilities, and to acknowledge that it is the engaging party who is ultimately responsible for identifying the intended users, considering their needs and determining the procedures to be performed, we suggest that the requirements at paragraphs 20 and 21 be amended to clarify this. We note that paragraph 22(c), in describing the terms of the engagement, appears to better recognise the ultimate responsibility of the engaging party in this regard.

We also understand that in concluding not to require an extension of the engaging party’s acknowledgement, that the procedures are appropriate, to also cover acknowledgement that the procedures are appropriate for the purpose of the intended users, the IAASB noted that it may not be practicable for the engaging party to “sign off” on the needs of all the intended users. However, we recommend that the application material address obtaining acknowledgment that the procedures are appropriate to the needs of the engaging party and other intended users, from the engaging party, prefaced by “to the best of their knowledge and belief” or similar, or that the practitioner obtain a written representation that the engaging party considered the needs of intended users in determining the procedures.

We note that the standard contemplates the practitioner’s report being made more widely available, e.g. to the general public on a website. In such situations, the engaging party may have difficulty identifying the intended users, and there may be user groups that are not intended users. As a result, it is particularly unclear what the practitioner’s responsibility would be towards such groups. In this regard, we also highlight a lack of clarity in terminology between “users” and “intended users”, as the IAASB appears to use these terms interchangeably. We believe the engaging party should attempt to identify the intended users and determine that the procedures to be performed are expected to meet their needs, but that the standard should clarify that the practitioner does not have a responsibility towards additional users who are not intended users as it may be impracticable to identify such users and consider their needs. We suggest the IAASB explore inclusion of material similar to (although adapted as appropriate given that AUP engagements impart no assurance and the responsibilities of the practitioner for determining the procedures to be performed, and for identifying intended users and considering their needs, are different) that set out in ISAE 3000 (Revised), paragraph A16, which notes that “In some cases, there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people will have access to it. In such cases, particularly where possible users are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and common interests.” This is important given that there is an expectation gap regarding public perceptions as to what an AUP engagement is, what the procedures constitute and whether or not “assurance” is imparted.
In light of the above, we are generally supportive of the IAASB’s rationale for proposing complementary changes to the ED to no longer require the report to be restricted to parties that have agreed to the procedures, on the basis that not all intended users will/are able to formally agree to these or to the terms of the engagement more broadly, and to formally restrict the report may therefore have unintended consequences.

We note that there will be variation in the approach to inclusion of restriction in use and distribution clauses across jurisdictions, as a result of differences in legal and regulatory requirements in this area, as well as accepted practice. We believe the proposed approach to instead guide practitioners to consider including a restriction in use and/or distribution clause, but not to mandate it, is appropriate, as it enables the practitioner to respond as appropriate in the prevailing legal and regulatory environment.

However, as a result of the expectation gap in this area, as to the nature and purpose of AUP engagements, the practitioner’s responsibilities, and the fact that AUP engagements are usually performed for a highly specific purpose, we do have concerns that user groups may obtain and base decisions on AUP reports without understanding the nature or purpose of the engagement, which would clearly not be in the public interest. Accordingly, we suggest that the application material at A43 regarding the practitioner’s consideration as to whether to indicate that the AUP report is intended solely for the engaging party and intended users, e.g. by restricting the use or distribution of the report, be elevated to a requirement, i.e. a requirement for the practitioner to consider including such an indication. We recognise that the introduction of such a requirement would elevate such considerations as compared to the equivalent material in ISA 800 (Revised) or ISAE 3000 (Revised), however, we believe such elevation to be appropriate, given the fact that these are not audit or assurance engagements, i.e. that no conclusion or opinion is expressed, and instead detailed findings are provided with the express intention of enabling the intended users to draw their own conclusions.

In connection with the above, we are also supportive of the requirement, at paragraph 30(m), to identify the purpose of the report and to include a statement that the report may not be suitable for another purpose. (We note that the first reference to “report” in this paragraph should be to “agreed-upon procedures engagement”). This is particularly important if there may not be a formal restriction in use and/or distribution clause in the report.

However, we highlight that this requirement may be derived from ISA 800.A21, Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, in which the equivalent requirement is to include an Emphasis of Matter paragraph to draw users’ attention to the basis of preparation, which is a special purpose framework. Whilst an Emphasis of Matter paragraph is an audit concept and would not be appropriate in an AUP report since it contains no opinion, we suggest that the IAASB
enhance the proposed requirement in the ED to help ensure that the statement is sufficiently prominent, e.g. to require a heading, and language that makes clear that this is a “warning”. It may also be helpful for this to be required earlier in the report, before the details of the procedures themselves and the findings thereon.

In addition to the above, the standard makes reference to situations where the engaging party may not be the party that is responsible for the subject matter information, or for the underlying subject matter. It would be helpful for the standard to provide more guidance around such situations, such as assessing whether the practitioner may reasonably expect to receive reliable information and explanations, as well as to consider whether the practitioner will have access to such information and explanations, as part of the preconditions to an AUP engagement. Additionally, it may be helpful to include such situations as an example of when a practitioner may need to exercise professional judgement in determining whether they believe there is a rational purpose to the engagement.

Furthermore, in addressing agreement to the terms of the engagement at paragraph 22, it would be helpful for the ED to include, in the list of required terms of the engagement, acknowledgement by the engaging party to provide information and explanations as required by the practitioner, and unrestricted access to persons at the entity. Although the procedures are clearly defined and agreed, it is still critical that the engaging party acknowledges upfront that they need to provide information and access to the practitioner so that the practitioner can perform the procedures. We refer also to our comment below in the Other Comments section, regarding obtaining written representations in this regard.

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 of the proposed AUP report and the related guidance and illustrative examples. We note the following suggestions for improvement/ clarity:

— We suggest that the requirement, at paragraph 30(g), that irrespective of the fact that the standard does not require the practitioner to be independent, the practitioner states that they are not independent, when this fact is known, should also require the practitioner to state the basis for the assessment, similar to paragraph 30(f)(ii)b;

— Paragraph 30(g) requires the practitioner to include a statement that they are not independent, when this fact is known. Since this scenario is not compatible with that described at 30(f)(i), in which the practitioner is required to be independent, we recommend that the requirement at 30(g) be re-positioned to 30(f)(ii);
Paragraph 30(h) requires the report to include a description of an AUP engagement. We suggest the requirement be expanded to include a description as to what constitutes “findings”, i.e. that these are factual, are capable of being objectively described and verified, and that they impart no assurance/ no conclusion is expressed;

Paragraph 30(h)(i) refers to the agreement to the procedures by the practitioner and the engaging party. We suggest removing reference to the practitioner as the engaging party is the party that is ultimately responsible for determining the procedures to be performed, whilst the practitioner is responsible, as described at paragraph 21, for considering whether, based on their understanding of the purpose of the engagement, they are aware of any facts or circumstances suggesting that the procedures that the practitioner is being asked to perform are inappropriate. See also our response to Question 6;

We also recommend that the report clearly set out the responsibilities of the engaging party, including the identification of the intended users and consideration of their needs;

Paragraph 30(j) requires the report to include findings from each procedure performed, including details on exceptions found. We note that the procedures may be performed at a level of granularity such that findings may relate to specific information that may include personal details such as names, dates, ages and other sensitive information. We suggest that the application material provide guidance as to considerations in respect of reporting such information, and the fact that it may not be legally permissible to include this in the report, in particular, when there may be a broad range of intended users or the report may be made publically available;

Paragraph 30(k) requires the report to include a statement that the engagement does not constitute a “reasonable or limited assurance engagement”. We suggest removing reference to “reasonable or limited” as users of the report may have limited knowledge of assurance engagements and may infer that this provides assurance nonetheless, at a different level to reasonable or limited. We believe it would therefore be clearer to simply state that it does not provide assurance. We suggest that a similar amendment be made to paragraph 22(a);

We suggest that the report include an explicit statement that the practitioner has complied with relevant ethical requirements (as required by paragraph 17) prior to commenting on independence. We recommend that the application material provide guidance to the practitioner that it may be helpful to include a statement that the practitioner has complied with the principles of professional competence and objectivity;
— As noted in our response to Question 8, we suggest that the requirement at paragraph 30(m), to include a description of the purpose of the engagement and the statement that the report may not be suitable for another purpose, be made more prominent, e.g. with a sub-heading “Purpose of the Agreed-Upon Procedures Engagement” and language that makes clear that this is a warning. We also suggest that this description be required earlier in the report, before the details of the procedures themselves and the findings thereon;

— We also suggest that the IAASB consider greater alignment with the example audit reports further to the enhancements to the auditor reporting suite of standards, where relevant, e.g. placement of the date and location;

— We highlight that the illustrative example reports include “determine” in the description of certain procedures. We believe that to “determine” necessarily involves the exercise of professional judgement and therefore we believe that this procedure may be misleading and may not be capable of being objectively verified. We therefore recommend that the example be amended to include greater specificity as to the procedure actually being performed to avoid subjective interpretation.

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 IAAAS welcomes comment on potential translation issues respondents note in reviewing the ED-4400.

We have no particular comments in this area.

(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 adoption 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.

We have no particular comments regarding the effective date.
Other Comments

Written Representations

We are supportive of the inclusion of the requirement, at paragraph 27, to consider whether it is necessary to request written representations from the engaging party, as well as the related application material.

We consider that written representations, as acknowledged in ISA 580, are important. The guidance at ISA 580.A1 states that “a request for written, rather than oral, representations in many cases may prompt management to consider such matters [about which we request representations] more rigorously, thereby enhancing the quality of the representations”. Although AUP engagements involve the objective performance and reporting of procedures, the standard states that professional judgement is not suspended and it is in connection with areas where we exercise professional judgement, such as whether there is a rational purpose to the engagement, or whether the procedures are expected to meet the needs of intended users, that we believe such representations may be relevant.

We consider that the need for such written representations will depend on the nature of the engagement and the parties involved. For example, if a practitioner agrees to perform inquiries, they may request written representations from those individuals to whom they addressed their inquiries as to the accuracy and completeness of their responses documented in the practitioner’s report (e.g. by obtaining written confirmation from those specific individuals that they have read a final draft of the report and confirm its factual accuracy).

The practitioner may also consider written representations regarding key factors in determining whether the engagement has a rational purpose; whether the engaging party believes the procedures meet the needs of the intended users, and the actions they have taken to make this determination. We also note that the standard allows for procedures such as inquiry or inspection, and therefore broader representations around the practitioner being provided with access and information and explanations that are necessary would be helpful. Many of these matters are addressed in requirements and guidance regarding agreeing the terms of the AUP engagement, however, similar to audit and assurance engagements, the practitioner may consider it helpful to request written representations over these matters prior to signing their report.

Materiality

We recommend inclusion of guidance to explain that the concept of materiality does not apply to AUP engagements, but the engaging party and other intended users may determine an agreed threshold for reporting findings, although this is not comparable to the materiality concept applied in an assurance engagement.