



RECOMMEND | ISRS 4400

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ISRS 4400 (REVISED) A HIGH-LEVEL OVERVIEW OF THE PROPOSED CHANGES

On 15 November 2018 the International Auditing and Assurance Standards Board (IAASB) issued the exposure draft of proposed *ISRS 4400 (Revised), Agreed-Upon Procedures Engagements* (ED-4400), for public comment by 15 March 2019

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The project to revise ISRS 4400 was started seeing that the standard had been developed more than 20 years ago and the growing demand for agreed-upon procedures (AUP) engagements.¹ Most of the key revisions in ED-4400 resulted from stakeholder feedback on the IAASB's discussion paper *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services* (November 2016) and continuing targeted stakeholder outreach.

The paragraphs that follow provide an overview of the key changes that are being proposed.

THE ROLE OF PROFESSIONAL JUDGEMENT IN AN AUP ENGAGEMENT

The extant standard does not deal with professional judgement, but the preface to the IAASB's pronouncements² states that professional judgement is exercised in the application of the international

standards. The IAASB agreed that professional judgement is applicable in an AUP engagement, but that it is applied differently compared to an assurance engagement.

The IAASB deliberated the application of professional judgement in an AUP engagement and incorporated it in ED-4400 by:

- Defining professional judgement in the context of an AUP engagement
- Including a requirement to apply professional judgement when accepting and conducting an AUP engagement, and
- Providing examples of areas where professional judgement may be applied

DISCLOSURES RELATING TO THE PRACTITIONER'S INDEPENDENCE

The extant standard states that independence is not a requirement

for AUP engagements. The ED also does not make the practitioner's independence a precondition to performing an AUP engagement. However, the transparency of the practitioner's independence has been enhanced by requiring the practitioner to include a statement around independence in the AUP report. The wording of the statement is dependent on whether the practitioner is required to be independent, for example in terms of ethical requirements and whether the practitioner is, in fact, independent.

FINDINGS

The term 'factual findings' has been replaced with 'findings'. The reason for this change is to clarify that it is the results of the procedures that should be factual. That is, findings should be objectively verifiable and should not be subjective opinions or conclusions.

To further clarify the concept, the IAASB included the following definition:



the practitioner are appropriate for the purpose of the engagement, and

- That the procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations

THE USE OF A PRACTITIONER'S EXPERT IN AN AUP ENGAGEMENT

The extant standard does not deal with the use of an expert. A new requirement and guidance to address the use of the work of a practitioner's expert have been included. If the practitioner makes reference to the practitioner's expert in the AUP report, ED-4400 requires that the wording does not imply that the practitioner's responsibility is reduced, due to the involvement of the expert.

Appendix 2 illustration 2 in ED-4400 provides example wording in this regard.

RESTRICTIONS ON THE DISTRIBUTION AND USE OF THE AUP REPORT

The extant standard requires the practitioner's report to include a statement that the report is restricted to those parties that have agreed to the procedures to be performed. ED-4400 no longer includes this restriction as the reports often have to be provided to parties who are not parties to the terms of engagement. It is still a requirement to indicate the purpose of the engagement in the AUP report and includes a statement that the AUP report may not be suitable for another purpose.

OTHER CHANGES

Other proposed changes include:

- It has been clarified that the scope of the standard also includes non-financial subject matters.
- Guidance has been included on requesting written representations in circumstances when the



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practitioner has decided to do so.

- Practitioners may be requested to include recommendations or improvements on matters identified during the AUP engagement in the AUP report. A requirement has been included to clearly distinguish other engagement reports (such as recommendations) from the AUP report.
- New documentation requirements and application material.

SAICA will be hosting an information and discussion session on 20 February 2019 where members will be informed of the proposed changes and have an opportunity to provide input into SAICA's comment letter to the IAASB.

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NOTES

¹ Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report. The practitioner does not express an opinion or conclusion on the results of the procedures performed.

² The suite of International Standards.

- Findings are the factual results of procedures performed. Findings are capable of being objectively verified and objectively described. Accordingly, references to findings in ISRS 4400 exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make.

ENGAGEMENT ACCEPTANCE AND CONTINUANCE CONSIDERATIONS

The extant standard deals with the terms of the engagement but does not include conditions before accepting or continuing the engagement. Some of the engagement acceptance and continuance conditions are:

- That the engaging party acknowledges that the expected procedures to be performed by