

IAASB  
International Auditing and Assurance Standards Board

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**Subject: Response from FSR – danske revisorer (FSR – Danish Auditors) to the IAASB Consultation Paper on the Exposure Draft, Agreed-Upon Procedures – ISRS 4400**

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Dear Sir or Madam,

FSR – Danish Auditors is pleased to provide you with our response to IAASB's Consultation Paper on the Exposure Draft, Agreed-Upon Procedures – ISRS 4400.

We support the IAASB's project to clarify and modernize the ISRS 4400 standard.

In Denmark ISRS 4400 is currently widely used, but the extant ISRS 4400 does not meet the demand for AUP engagements, due to the fact that it is limited to financial information and procedures that have been approved by the user of the AUP report.

In our opinion, the AUP report, as set out in ISRS 4400 ED, does not sufficiently focus on the expected users of the AUP reports, which is why we believe that the IAASB should focus on modernizing the report so that it better explains an AUP engagement and meets user needs. In our answer to question 9, we have included a suggestion on how an AUP report may be structured and described.

Please refer to appendix 1 for our detailed answers to the questions stated in the invitation to comment.

For further information on this letter, please contact Louise Nellemann at [lne@fsr.dk](mailto:lne@fsr.dk)

Kind regards,

On behalf of FSR – danske revisorer

Brian Adrian Wessel  
Technical Director, Dept. of  
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Chief Consultant,  
State Authorized Public Accountant

## Overall Question

### Public Interest Issues Addressed in ED-4400

#### Question 1

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

In our opinion, ED-4400 has been appropriately clarified and modernized to address the challenges with the extant ISRS 4400. We especially appreciate that the standard can be used on non-financial subject matters and with-out having the users of the AUP report to agree to the procedures to be performed on the subject matter.

We do, however, still believe there are challenges with users understanding the differences between assurance engagements and AUP engagements. We, therefore, encourage initiatives that can help communicate these differences and the benefits of performing AUP engagements.

The main challenges with the standard are that the AUP report does not take sufficiently into consideration the users of the report. This is for example the case with the description of independence and the use of experts, which in our opinion will cause confusion.

In other words, the AUP report should be focused on the background and needs of the users of the AUP report.

## Specific Questions

### Professional Judgment

#### Question 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?**

#### Definition of professional judgment - paragraph 13j

We note that the definition of professional judgment in ED-4400 is similar to the definition in ISA 200, except that it is not being used for making informed decisions about the courses of action that are appropriate in audit engagements, but in agreed-upon procedures engagements.

Since there is no application and other explanatory material related to the definition of professional judgment as set out in paragraph 13(j), we believe that the definition is unclear. We note that the definition in ISA 200, 13 (k) + 16 has related application and other explanatory material A25-A29. We suggest that related application guidance is added to the definition to clarify the definition in the context of an agreed-upon procedures engagement, for example by including wording from ISRS 4400 ED A14-A16 and the application guidance in ISA 200 that is related to the definition of professional judgment.

### Requirement on professional judgment – paragraph 18

The requirement states that the practitioner shall apply professional judgment in accepting and conducting an agreed-upon procedures engagement, taking into account the circumstances of the engagement.

The requirement does not clearly describe under which circumstances professional judgment should be applied as it states that this should be applied in accepting and conducting an agreed-upon procedures engagement, which is only some of the different elements in an AUP engagement.

We suggest that the wording is amended to clarify that professional judgment should be applied throughout the AUP engagement. It should also be considered if the standard should emphasize that professional judgment should be applied in:

1. Engagement Acceptance and Continuance
2. Agreeing the Terms of the Engagement
3. Performing the Agreed-Upon Procedures
4. Using the Work of a Practitioner's Expert
5. The Agreed-Upon Procedures Report

### Application material

In our opinion, the application guidance should be structured to match the bullet points above in a way that clarifies how professional judgment should be applied throughout the different stages of an AUP engagement.

In paragraph A16 the following is stated:

*"The more a procedure requires professional judgment, the more the practitioner may need to consider whether the condition that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations is present."*

In our opinion, it is essential to keep this in mind when applying professional judgment in an AUP engagement. To emphasize the importance of this and make this even clearer to the user of the AUP report, we suggest that the statement above is included as a separate bullet point or section in the application guidance.

In paragraph A15 the following is stated:

"Determining appropriate actions if the practitioner becomes aware of:

- Facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.
- Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.
- Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate that the information may be misleading."

In our opinion, the paragraph above should be expanded with application materials on suggested actions in case the practitioner becomes aware of the abovementioned issues.

## **Practitioner's Objectivity and Independence**

### **Question 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?**

When performing an AUP engagement, the practitioner is required to comply with relevant ethical requirements to which the practitioner is subject. As stated in A12 this would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement. This requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

In principle, we agree that it is not a precondition for the practitioner to be independent when performing an AUP engagement, as an AUP engagement reports on factual findings, which are unlikely to be susceptible to potential bias. However, in practice it is difficult to argue that one can be objective if one is not independent, as one otherwise could be subject to bias, conflict of interest etc.

In our opinion, the practitioner has to assess independence and how this might influence the ability to be objective and the need for safeguards.

In our opinion, if the practitioner is not independent, it should be clear to the user of the report that the practitioner is not independent.

### **Question 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.**

The proposed disclosures related to the practitioner's independence will, in our opinion, cause confusion to the users of the AUP report. The proposed disclosures about independence in the AUP report do not explain the consequences of the practitioner's lack of independence or lack of assessment of independence, nor the difference between not being independent or not having assessed independence.

Furthermore, it is in our opinion inappropriate that the practitioner can refrain from assessing independence. The practitioner should always be required to make this assessment, so that the practitioner can assess how independence has an impact on objectivity, hereunder the conduct of the AUP engagement.

In our view, the AUP report must as a minimum always state whether the practitioner is independent or not. If the practitioner does not assess his/her independence, the practitioner must state in the AUP report that he/she is not independent, as it is too unclear for the user of the report what the consequence is of the practitioner not having assessed independence.

## **Findings**

### **Question 5**

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

We agree with the term “findings”.

## **Engagement Acceptance and Continuance**

### **Question 6**

**Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?**

The requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, are appropriate when assessing engagement acceptance and continuance related to an AUP engagement.

## **Practitioner’s Expert**

### **Question 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?**

## **Requirements and application material**

We agree that the revised ISRS 4400 should address the use of the work of a practitioner’s expert in an AUP engagement.

In general, we 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. However, we suggest that paragraph 28 on the use of the work of an expert should be expanded as follows:

*(e) Evaluate whether the need to use the work of a practitioner’s expert will affect the practitioner’s ability to report his/her findings in an objective manner.*

In addition, we suggest that a new paragraph A37 is added stating the following:

*A37: The more the practitioner finds it necessary to use the work of a practitioner’s expert, the more the practitioner may need to consider whether the condition that the agreed-upon procedures can be described objectively, in terms that are not subject to varying interpretations from both the practitioner and the practitioner’s expert, is present.*

The above suggestions will in our opinion highlight the importance that work and findings of an expert should be objective and not subject to varying interpretations, as also emphasized in A16 in regard to the use of professional judgment.

### **References to the use of the expert in an AUP report**

We agree that it is important that the AUP report does not imply that the practitioner's responsibility is reduced because of the involvement of a practitioner's expert.

However, we are concerned that when reference is made to the work of the practitioner's expert this might imply a reduction in the practitioner's responsibility for the AUP engagement. In our opinion, any reference to the work of a practitioner's expert should be left out of the AUP report (as in an audit), unless law and regulations require the practitioner to describe the involvement of an expert in the AUP report.

If, however, the practitioner is required to make reference to the work of an expert in the AUP report, the reference should be made in the description of the procedures. Consequently, illustration 2 should in our opinion be aligned accordingly.

### **AUP Report**

#### **Question 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 strongly agree that the AUP report should not be restricted to those parties that have agreed to the procedures. The identification of the purpose of the agreed-upon procedures report and a statement that the AUP report may not be suitable for another purpose as set out in paragraph 30(m), mitigate any misunderstandings regarding the purpose of the AUP report.

We also agree that the practitioner should consider if the AUP report is intended solely for the engaging party and the intended users, and if so, the practitioner should indicate this by restricting the distribution or use of the AUP report.

#### **Question 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?**

In our opinion, the content and structure of the proposed AUP report has not changed significantly compared to the report in the extant ISRS 4400.

Our experience has shown that users have problems reading and understanding an AUP report and, therefore, misinterpret the report and its scope. Consequently, in our opinion it is important that the IAASB focuses on making the AUP report more understandable for users that are not practitioners or have detailed knowledge of the AUP standard.

To improve the understandability of the report we suggest that headings are added, as is the case in assurance reports, to improve readability. For example by clarifying:

- the object of the engagement and related subject matter
- independence and quality control
- the practitioner's responsibilities

— limitations in use and purpose

To accommodate that reports can be made more readable and understandable there should at least be flexibility as to the order of the report and the use of headings.

In practice we have found that the statement that is required by paragraph 30 (k), in many circumstances is not considered in the correct context and is, therefore, seen as a form of disclaimer that undermines the purpose of the AUP engagement. We, therefore, believe it would be more appropriate to include this wording before the procedures and related findings.

We have shown in appendix 1 how we believe a more user-friendly report can be presented.

#### **Question 10**

##### **Request for General Comments**

**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.**

##### **Translations**

We have not identified issues regarding translation of ISRS 4400.

##### **Effective Date**

We find the suggested effective date of 18-24 months after the approval of the final ISRS appropriate. We fully support that it will be permitted and encouraged to apply the approved ISRS 4400 earlier than the effective date.

**Appendix**

**Appendix 1**

**AGREED-UPON PROCEDURES REPORT**

To [Addressee]

**Objective and intended users**

We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies and may not be suitable for another purpose. [Engaging Party] has acknowledged that the procedures are appropriate for the purpose of the engagement.

[Our report is intended solely for [engaging party] and [intended users] and should not be distributed to any other parties.]

**Independence and Quality**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Practitioner's Responsibilities**

We conducted our engagement in accordance with the International Standard on Agreed-Upon Procedures Engagements ("ISRS 4400 (Revised)"). An agreed-upon procedures engagement performed in accordance with ISRS 4400 (Revised) involves our performing of the exact procedures that have been agreed to by us and [Engaging Party], and reporting the findings based on the procedures performed.

An agreed-upon procedures engagement does not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or conclusion. We make no representation regarding the appropriateness of the procedures described below. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

	<b>Procedure</b>	<b>Findings</b>
1	xx	xx
2		
3		
4		

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]