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Our ref Comment submission on  
AUASB Exposure Draft 01/20,  
Agreed-Upon Procedures  
Engagement  
Contact Jennifer Travers  
(+61 3 9288 5015)

11 May 2020

Dear Sir

**Comment submission on AUASB Exposure Draft 01/20: Proposed Standard on Related Services ASRS 4400, *Agreed-Upon Procedures Engagements***

We are pleased to have the opportunity to respond to the Australian Auditing and Assurance Standards Board (AUASB) Exposure Draft 01/20: Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements* (ED 01/20). The letter represents the views of KPMG Australia.

We understand that this proposed Standard on Related Services represents the Australian equivalent of the International Auditing and Assurance Standards Board's (IAASB) revised ISRS 4400 *Agreed-Upon Procedures Engagements* and will replace the current ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* issued by the AUASB in July 2013.

Our overarching comments are set out below. Please refer to Appendix 1 to this letter for our views and responses to the specific questions raised by the AUASB for comment.

**Overarching comments**

Overall, KPMG Australia is supportive of the adoption of ED 01/20 of the proposed Standard on Related Services.

We are supportive of the overall direction of the changes proposed to align with ISRS 4400 and believe that these broadly achieve the principal objective of keeping pace with the significant changes that have occurred in the business environment driving the demand for AUP engagements on both financial and non-financial subject matters.

We believe that our comment submission on the AUASB Consultation Paper, *Agreed-Upon Procedures (AUP) Engagements* in February 2019 have mostly been taken into account and is reflected in ED 01/20.

Our views and comments are found below in response to each question.



**Auditing Standards and Assurance Board**  
*Comment submission on AUASB Exposure Draft 01/20:  
Proposed Standard on Related Services ASRS 4400,  
Agreed-Upon Procedures Engagements  
11 May 2020*

Should you wish to clarify any aspect of KPMG Australia's submission, I would be pleased to discuss. My contact details are [jltravers@kpmg.com.au](mailto:jltravers@kpmg.com.au) or +61 3 9288 5015.

Yours faithfully

A handwritten signature in black ink that reads 'Jennifer Travers'.

Jennifer Travers  
*Director*



**Appendix 1 – KPMG’s Australia’s views on specific matters highlighted by the AUASB in the Explanatory Memorandum: *Exposure Draft 01/20: Proposed Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements***

**Exposure Draft Questions**

The AUASB is particularly interested in stakeholders’ views on the following technical matters in the exposure draft:

*Independence – Requirement (Refer paragraph 9(a) of this Explanatory Memorandum for more information):*

- 1 Do stakeholders support ED 01/20 not requiring independence for an AUP engagement? If not, why not?

We support ED 01/20 not requiring independence for an AUP engagement. This allows for much broader use of this style of engagement which reflects current demand in the Australian market.

- 2 Would stakeholders prefer to maintain the approach in extant ASRS 4400 whereby there is an independence requirement for the practitioner equivalent to the independence requirement applicable to ‘other assurance engagements’, unless the engaging party has explicitly agreed to modified independence requirements?

Given that in an AUP engagement the findings are capable of being objectively verified, and no opinion is expressed by the practitioner, we do not believe it is necessary to maintain the approach in extant ASRS 4400 whereby there is an independence requirement for the practitioner equivalent to the independence requirement applicable to ‘other assurance engagements’ unless the engaging party has explicitly agreed to modified independence requirements.

- 3 Are there any other independence pre-condition options that stakeholders would suggest to the AUASB that are not covered by questions 1 and 2 above? Please provide details.

No.

- 4 If stakeholders do not support ED 01/20 not requiring independence for an AUP engagement, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of this EM) to modify ED 01/20 (based on revised ISRS 4400)?

N/A

*Independence – Reporting Requirements (Refer paragraph 9(b) of this Explanatory Memorandum for more information):*

- 5 Do stakeholders support ED 01/20 with the AUP report including statements addressing circumstances when the practitioner is or is not required to be independent? If not, why not?

We support ED 01/20 with the AUP report including statements addressing circumstances when the practitioner is or is not required to be independent. This provides transparency to the market that the practitioner has considered independence requirements where relevant to the engagement.

We support the statement used in 30(l) (i) when there are no independence requirements with which the practitioner is required to comply.

- 6 If stakeholders support maintaining the approach adopted in extant ASRS 4400 in relation to independence (as outlined in question 2 above), do stakeholders support maintaining the approach in extant ASRS 4400 whereby the report is required to contain a statement that either ethical requirements equivalent to those applicable to Other Assurance Engagements have been complied with, including independence, or, if modified independence requirements have been agreed in the terms of the engagement, a description of the level of independence applied?

N/A

- 7 Are there any other independence reporting options that are not covered by questions 5 and 6 above? Please provide details.

No.

- 8 If stakeholders do not support ED 01/20 with the AUP report required to include statements addressing circumstances when the practitioner is or is not required to be independent, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of this EM) to modify ED 01/20 (based on revised ISRS 4400)?

N/A

*Restriction on use (Refer paragraph 9(c) of this Explanatory Memorandum for more information):*

- 9 Do stakeholders support ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, but rather the report containing a statement identifying the purpose of the report and that the report may not be suitable for another purpose? If not, why not?

Yes, we are generally supportive of ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, but rather the report containing a statement identifying the purpose of the report and that the report may not be suitable for another purpose.

The requirement to identify all intended users at the outset of the engagement can sometimes be challenging, and limits the usefulness of the AUP report to the client if they are unable to provide it to other parties after the engagement terms have been agreed.

We also highlight that the statement that the report may not be suitable for another purpose is derived from ISA 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, in which the equivalent requirement is to include an Emphasis of Matter paragraph. Whilst such a paragraph would not be appropriate in an AUP report, as no opinion/conclusion is provided, it would be helpful for the standard to emphasise that the statement must be sufficiently prominent, e.g. to include a heading, and language that makes clear that this is a “warning”.

- 10 Would stakeholders prefer to maintain the approach in extant ASRS 4400 whereby the use of an AUP report is restricted to those parties that have either agreed to the procedures to be performed or have been specifically included as users in the engagement letter? Under ASRS 4400, a restriction on use paragraph is required to be included in an AUP report.

We prefer that the mandated restriction paragraph in the AUP report is removed for the reasons set out in response to question 9 above.

- 11 Are there any other restriction on use options that stakeholders would suggest to the AUASB that are not covered by questions 9 and 10 above? Please provide details.

No.

- 12 If stakeholders do not support ED 01/20 not requiring the restriction of the AUP report to parties that have agreed to the procedures to be performed, do stakeholders consider there to be compelling reasons (as outlined in paragraph 10 of this EM) to modify ED 01/20 (based on revised ISRS 4400)?

N/A

*Professional judgement (Refer paragraph 9(d) of this Explanatory Memorandum for more information):*

- 13 Do stakeholders support the way in which the exercise of professional judgement is dealt with in ED 01/20? If not, why not?

Yes, we support the way in which the exercise of professional judgement is dealt with in ED 01/20.

In addition, the AUASB is also interested in stakeholders' views on:

- 14 Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?

We are not aware of any relevant laws or regulations that have been omitted.

- 15 Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

We are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.

- 16 Whether there are any principles and practices considered appropriate in maintaining or improving quality of related services engagements in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

No.

- 17 What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of the proposed standard? If significant costs are expected, the AUASB would like to understand:

- a. Where those costs are likely to occur;
- b. The estimated extent of costs, in percentage terms (relative to related services fee); and
- c. Whether expected costs outweigh the benefits to the users of related services?

We do not expect any additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of the proposed standard.

- 18 Are there any other significant public interest matters that stakeholders wish to raise?

No.



## Other Comments

We have noted the below for your consideration.

Relevant paragraphs	Other comments
Paragraph 13(a), 13(b), 24(f)(i), 24(g), 30(e)(i), 30e(iii)	<p>These paragraphs use the term ‘other parties’; however, the term ‘other parties’ is not defined. All of these paragraphs refer to the guidance in paragraph A10 which states that “...the procedures <i>may</i> be agreed with intended users in addition to the engaging party”.</p> <p>A10 does not use the term ‘other parties’.</p> <p>This appears to be an inconsistency in terminology.</p>
Paragraph 24(b)	<p>We note that paragraph 24(b) requires the engagement letter to include “the purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party”. As noted above, this is sometimes challenging at the outset due to timing.</p> <p>Whilst we might be able to include a group of intended users, we may not be able to individually name an entity. A common example is in a transaction where a successful bidder may only be identified after the engagement contract has been signed and the procedures have been performed and yet they are the intended user for the purpose of the agreed-upon procedures engagement.</p>



<p>Paragraph 32</p>	<p>The paragraph talks about the practitioner providing a summary of findings in addition to the description of findings.</p> <p>It is not clear why a summary of findings might be provided or when would it be appropriate to include a summary of the findings in an AUP report.</p> <p>Given this engagement is to perform very specific procedures and report on them, a summary has the potential for misunderstanding and a risk that readers do not read the report in its entirety.</p>
<p>Paragraph A37</p>	<p>The end of the last bullet point is missing a full stop.</p>
<p>Paragraph A55</p>	<p>The last bullet point which reads ‘<i>to understand the professional or legal implications of taking any particular course of action</i>’ is not clear and appears to be missing part of the phrase. Should this read the same as the phrase contained in paragraph A20: “<b><i>obtaining legal advice</i></b> to understand the professional.....”?</p>
<p>Illustration 2 of Appendix 2</p>	<p>The header “Professional Ethics and Quality Control” is not in italics whereas it is in Illustration 1.</p>