



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1130 Fax: 81-3-5226-3355  
Email: [international@sec.jicpa.or.jp](mailto:international@sec.jicpa.or.jp)

March 15, 2019  
Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 5th Avenue, 6th Floor  
New York, NY 10017 USA

Dear Mr. Botha,

Re: JICPA Response to the Proposed International Standard on Related Services 4400 (Revised),  
*Agreed-Upon Procedures Engagements*

The Japanese Institute of Certified Public Accountants (JICPA) welcomes the opportunity to comment on the Exposure Draft of ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements* (ED).

Please find below our comments to the questions raised in the ED.

## Comments on Questions in the Explanatory Memorandum

### Overall Question

#### *Public Interest Issues Addressed in ED-4400*

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

Comment:

Yes, ED-4400 has been appropriately clarified and modernized.

### Specific Questions

#### *Professional Judgment*

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

Comment:

Yes, we agree those paragraphs of ED-4400 appropriately reflect of the role of professional judgement. However, the paragraphs 13(j), 18 and A14-A16 of ED-4400 mention nothing about specific actions to be taken if a practitioner finds reason to doubt the integrity of information.

- For example, paragraph A15 indicates that a practitioner should determine appropriate actions after becoming aware of matters that suggest procedures are inappropriate, that may indicate fraud, or that may cast doubt on the integrity of information or indicate that the information may be misleading. However, nothing appears to be stipulated regarding specific actions to be taken if a practitioner finds reason to doubt the integrity of information, or has other similar concerns, while performing the procedures.
- Likewise, when undertaking an AUP engagement together with another engagement (paragraphs 33 and A45), the practitioner may become aware of matters that cast doubt on the integrity of information as a result of picking up on new information that was not obtained in the course of performing the AUP engagement. For example, a practitioner might notice inconsistencies between information obtained through an AUP engagement and that obtained through another engagement such as auditing of financial statements. However, also in this case, nothing appears to be stipulated regarding specific actions to be taken if a practitioner finds reason to doubt the integrity of information, or has other similar concerns, while performing the procedures.

We therefore think it is necessary to show guidance in the section of “Performing the Agreed-Upon Procedures Engagement” and “Undertaking an Agreed-Upon Procedures Engagement at the Same Time as another Engagement” as to specific actions to be taken (in particular, discussion with the engaging party, addition of further procedures, or disclosure in the AUP report, etc.) when the practitioner encounters the cases applicable to paragraph A15.

#### *Practitioner’s Objectivity and Independence*

3) Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?

Comment:

We agree with not including a precondition for the practitioner to be independent.

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.

Comment:

We agree with the ED regarding disclosures about independence in the AUP report except for the following four items.

- We do not agree with the idea of requiring the practitioner to determine his/her independence even when the practitioner is not required to be independent under the jurisdiction applicable to the practitioner.
- In cases where independence is required, an engagement cannot be undertaken if the practitioner's independence is not determined, or if the practitioner is not independent. However, the content of paragraph 30(g) could be misunderstood to mean that, even in such cases, an engagement can be performed provided that the report includes a statement that the practitioner is not independent. Thus, it should be made clear that paragraph 30(g) refers to a precondition that independence is not required.
- The content relating to independence is spread out in the section of relevant ethical requirements (A13) and the sections of the AUP report (paragraphs 30(f)(i) and (ii), 30(g), A40, A41, and A42). Consequently, it is difficult to understand the overall picture with regard to how we address to and disclose an independence. We therefore think that a specific section should be created for independence in which the requirements and guidance are gathered in order to facilitate clear understanding of the overall picture. Even if such a section is created and the structure used in the ED is to be retained, cross-references to other related content, for example, should at least be included.
- We think that the table in paragraph 22 of the explanatory memorandum should be provided in a basis of conclusion at the final release of revised ISRS4400 so as to facilitate understanding of how to handle the independence issue.

#### *Findings*

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

Comment:

- We agree that ISRS 4400 paragraph 13(f) provides a new definition. However, we are opposed to changing the term "factual findings" to "findings". We propose retaining the term "factual findings" as in extant ISRS 4400 because specific use of the word "factual" more appropriately expresses the intention that the factual findings of procedures in the AUP engagements are supposed to be evidenced on the facts. The word "findings" is also used frequently in the International Standards of Auditing (ISA). Especially in the cases where the term such as "significant findings" are used (as in ISA 260 paragraphs 16 and A17), it is not simply to indicate findings of a factual nature, but also to indicate findings that incorporating the auditor's view or judgment as to whether it is significant/insignificant. In such a case, the word "findings" used in the ISA does not necessarily refer only to factual findings. Accordingly, we have serious concerns that, if the word "findings" is used in AUP engagements, confusion with the concept of "findings" could occur, as to whether the word being used not only for matters of a factual nature, but also for matters that reflect the views of the practitioner. For this reason, we think that it would be appropriate to retain the term "factual findings," as used in extant ISRS 4400.
- Paragraph A11 should be deleted as it would become redundant with paragraph 13(f). In addition, we recommend that the proposed stipulation starting "Accordingly..." in paragraph

13(f) should be moved to the application material in order to make the definition itself more concise.

*Engagement Acceptance and Continuance*

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

Comment:

We think they are appropriate. However, there are some omissions in the terms to be agreed listed in paragraph 22; the items below are also discussed and agreed when entering into an engagement, so they should be added to paragraph 22, or included in the application material.

- Responsibilities of the engaging party (to determine the adequacy and appropriateness of the agreed-upon procedures and draw its own conclusion based on the factual findings of procedures performed as reported by the practitioner)
- Responsibilities of the practitioner (to perform the agreed-upon procedures and to report the findings thereof, in order to achieve the purpose for which the engaging party requested performance of the procedures and the purpose for which other intended users will use the factual findings of procedures; herein, we call intended the users of AUP report other than the engaging party as “Other intended users. ).
- Responsibilities of other intended users (to judge the adequacy and appropriateness of the agreed-upon procedures, and draw their own conclusion based on the factual findings of the procedures as reported by the practitioner)
- Any restriction on distribution or use of the AUP report and the name of the intended recipients and users if distribution or use of the AUP report is to be restricted (A43)
- The requirement to comply with legal or regulatory provisions regarding independence if the practitioner’s independence is required under relevant laws or regulations

*Practitioner’s Expert*

7) Do you agree with the proposed requirements and application material on the use of a practitioner’s expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400?

Comment:

We agree.

*AUP Report*

8) Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?

Comment:

We agree. However, to avoid the report being misinterpreted and misused, we think a warning should be included in the AUP report stating clearly that it is to be used only by those who fully understand the purpose and content of the AUP performed.

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?

Comment:

We think that the items below should be added or changed.

- The proposed format of the report should be amended to show the several sections using headings, as is the case for audits and reviews.

- If the practitioner is required to be independent, the title of the report should include the phrase “Independent Practitioner’s...” or similar to clearly indicate that the practitioner is independent.
- With regard to paragraph 30(m) (identification of the purpose of the agreed-upon procedures report), the purpose of the engagements should be more specifically stated in detail at the first section of the report.
- Paragraph 30 is insufficient as it fails to mention the responsibilities of the practitioner, the engaging party, and other intended users. The respective parties’ responsibilities should therefore be added to the items in paragraph 30 which shall be stated in the AUP report.
- To avoid misunderstanding and over-expectation of the intended users, the responsibilities of the respective parties should also be made clear in the illustrative AUP report.
- The paragraph 30(h) (particularly the statement that the practitioner makes no representation regarding the appropriateness of the procedures) is not reflected clearly enough in the illustrative AUP reports. The illustrative AUP report should clearly show practitioner does not bear any responsibilities of the appropriateness of the procedures performed.
- The illustration 2 of the AUP report offers sample wording for a situation in which the practitioner is not required to be independent (paragraph 30(f)(ii)a). However, given that this ED proposes the new treatment of practitioner’s independence in the AUP report, sample wordings for the cases described in paragraph 30(f)(ii)b and paragraph 30(g) should also be provided in the illustration at least as foot notes or by other means.
- For reference to support and the facilitate the understanding with the above-mentioned comments, we attach to the end an illustrative AUP report adapted from the Japanese Professional Guidelines 4400 “Practical Guidelines on the Agreed-Upon Procedures.”

*Request for General Comments*

- 10) In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:
- (a) Translations—recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-4400.

Comment:

None.

- (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.

Comment:

We do not think the period between the approval of the final ISRS and the effective date should be shortened. A period of at least 24 months should be ensured.

### **Other Comments Regarding Individual Paragraphs**

- Paragraphs 33 and A45

We think a clear distinction should be made between AUP engagements and advisory engagements. The second bullet point of paragraph A45 includes the phrase "...for example, by including the agreed-upon procedures report and the recommendations in separate sections of the document." However, we think this example is inappropriate, as combining the AUP report and the recommendations in the same document—even if they are in different sections—would not clearly distinguish between them, and would cause misunderstanding the purpose, characteristics and the responsibilities of the engagements among intended users. We therefore think that the second bullet point in paragraph A45 should be deleted.

Attachment

### **Report on Factual Findings of Agreed-Up Procedures: Illustration**

*(This illustration is based on Japanese Professional Guidelines 4400 “Practical Guidelines on the Agreed-Up Procedures originally issued in Japanese language by Japanese Institute of Certified Professional Accountants.*

*The users shall be cautious that this translated illustrative report has been produced solely for the purposes of these ED comments, and should not be used for any other purpose)*

#### (Independent Practitioner’s) Report on Factual Findings of Agreed-Up Procedures

[Month] [Date], [Year]

To: The Board of Directors  
Company A

Auditing Firm B  
Representative partner: [Name], CPA [personal seal]  
Partner: [Name], CPA [personal seal]

Our firm performed an agreed-upon procedures engagement as requested by Company A (hereafter, “the Company”).

The purpose of this engagement was to assist the Company and [xxx] (hereafter, “other intended users of the factual findings in this report”) in assessing the accuracy of [xxx].

#### *Responsibilities of the engaging party*

The responsibilities of the Company were to determine the adequacy and appropriateness of the agreed-upon procedures and draw its own conclusion based on the factual findings of procedures performed as reported by the practitioner. In addition, the Company is responsible for the data and other subject matter of this agreed-upon procedures engagement, provided that those are relevant to the practitioner.

#### *Responsibilities of other intended users*

The responsibilities of other intended users were to judge the adequacy and appropriateness of the agreed-upon procedures and draw their own conclusion based on the factual findings of procedures performed as reported by the practitioner.

#### *Responsibilities of the practitioner*

Our firm’s responsibilities were to perform the agreed-upon procedures and to report the factual findings thereof, achieving the purpose for which the engaging party requested performance of the procedures and the purpose for which other intended users will use the factual findings of the procedures.

Our firm performed the procedures in accordance with the Professional Guidelines 4400 “Practical Guidelines on the Agreed-Up Procedures” issued by the Japanese Institute of Certified Public Accountants (JICPA).

#### *Professional ethics and quality control*

In undertaking the engagement, our firm complied with the Code of Ethics (and Part 2 of the Guidance on Independence) issued by the JICPA, as well as other rules relating to professional ethics. The Code (, the Guidance) and the other rules offer principles of (independence,) integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. In addition, our firm undertook the engagement in accordance with the Quality Control Standards Committee Statement No. 1 (Quality Control for Audit Firms) issued by the JICPA. This required development and operation of a quality control system that included policies and procedures relating to compliance with professional standards and the applicable laws and regulations, as well as documentation of those policies and procedures.

*The agreed-upon procedures*

Our firm performed the following procedures agreed upon with the Company and other intended users:

1. ....
2. ....
3. ....

*Factual findings of performing the agreed-upon procedures*

The factual findings of performing the agreed-upon procedures above are as follows:

- (1) Factual finding of procedure 1: .....
- (2) Factual finding of procedure 2: .....
- (3) Factual finding of procedure 3: .....

*Characteristics of the agreed-upon procedures engagement*

The above procedures are not performed in accordance with generally accepted audit or review standards for the purpose of reporting an audit opinion or review conclusion relating to financial statements. Accordingly, our firm reports no conclusion drawn from the factual findings of procedures performed with regard to ....., and offers no assurance.

If our firm had performed an audit or review of financial statements in accordance with generally accepted audit or review standards, had performed additional procedures, or had extended the scope of the existing procedures, other matters might have come to our attention that would have been reported. Furthermore, the subject matter of this report comprises only .....; the report does not refer to any financial statements for company [xxx] as a whole.

*Restriction on distribution and use*

This report was produced solely to assist the Company and other intended users in assessing the accuracy of [xxx(subject matter information)]. It must not be used for any other purpose, and is not intended to be distributed to or used by any parties other than the Company and other intended users.

We hope that our views will be of assistance to the IAASB.

Sincerely yours,



Masahiko Tezuka  
Executive Board Member – Auditing, Assurance Practice and IT  
The Japanese Institute of Certified Public Accountants