

Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services and the Implications for the IAASB's International Standards

A public consultation issued by IAASB

Comments from ACCA to IAASB

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ACCA supports its 188,000 members and 485,000 students in 181 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

In June 2016 ACCA formed a strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). The alliance represents the voice of 788,000 members and future professional accountants around the world, who share the commitment to uphold the highest ethical, professional and technical standards.

The expertise of our senior members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas, including: taxation (business and personal); small business; audit; pensions; education; and corporate governance and corporate social responsibility.

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ACCA welcomes the opportunity to comment on these proposals issued by IAASB. The ACCA Global Forum for Audit and Assurance has considered the matters raised and their views are represented in the following.

AREAS FOR SPECIFIC COMMENT:

Answers to specific questions

1. Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. However, the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. Is this consistent with your views on the role of professional judgment in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?

Response

ACCA agrees that an AUP engagement should produce objectively verifiable factual findings, and therefore supports the Working Group's proposition, in paragraph 10, that the exercise of professional judgement should be limited to its exercise of professional competence and due care. The factors in paragraph 12 seem appropriate to ensuring that this is done.

The use of judgement is particularly important in the case where, either prior to accepting or after commencing the engagement, it becomes apparent that completing the engagement may produce misleading results. In these circumstances, the practitioner should decline or withdraw from the engagement.

2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?

Response

ACCA supports the inclusion of requirements relating to professional judgement, restricted to the matters addressed in paragraph 12.

Introducing requirements relating to professional judgement that are too broad may have unintended consequences. For example, practitioners may find themselves unable to accept certain AUP engagements that are specified in law, should these conflict with more wide-reaching professional judgement requirements.

3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?

Response

As noted in the response to Q1, ACCA believes that an AUP engagement should produce objectively verifiable factual findings. Therefore, ACCA is of the view that independence should not be required in the provision of an AUP engagement. As required by the IESBA Code of Ethics, practitioners would be expected to maintain objectivity at all times as well as the other fundamental principles, including professional competence and due care.

Requiring independence of AUP engagement providers would be an unnecessary step, would add to practitioner costs and may discourage some practitioners from performing such engagements. ACCA is therefore of the opinion that an AUP engagement could instead include a statement how any threat to objectivity had been safeguarded against, where this is considered necessary to understanding the engagement or would otherwise underpin public confidence in the profession.

Additionally there may be cases where an AUP engagement is conceived precisely because a practitioner is *not* independent, for example where the procedures require the practitioner to approach information from the client's perspective. ACCA thinks that ISRS 4400 should be flexible enough to accommodate such engagements.

4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology mean? Would your views change if the AUP report is restricted?

Response

Generally, ACCA supports a prohibition on unclear or misleading terminology. The use of misleading terms in AUP reports is a major contributor to on-going market confusion over the non-assurance comfort provided by an AUP engagement. In some cases, policy makers may believe they are receiving assurance while the practitioner does not think they are supplying it. There is an important potential role for the IAASB or IFAC to educate key regulators and legislators on the meaning of particular terms, why they are inconsistent with an AUP engagement and how they might be amended to make them more appropriate.

ACCA is sympathetic to the proposals in paragraph 26 to prohibit misleading terms only where other avenues have been exhausted. However, this may have an unfortunate consequence in that practitioners might find themselves in breach of the Code of Ethics prohibition on being associated with misleading information. Therefore the proposals in paragraph 26 may inadvertently undermine IESBA's current project to strengthen the Code of Ethics.

ACCA views remain the same even if the AUP report is restricted to specific users.

5. What are your views regarding clarifying that the scope of ISRS 4400 includes non-financial information, and developing pre-conditions relating to competence to undertake an AUP engagement on non-financial information?

Response

ACCA view supports this clarification. There are many non-financial situations where an AUP engagement would be suitable for users, so it is sensible to formalise the use of ISRS 4400 in these cases.

6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?

Response

ACCA thinks the most important issue to be considered when extending ISRS 4400 to cover non-financial information is the perception of the comfort provided by an AUP engagement. For example, as noted in ACCA's response to the IAASB Discussion paper on Emerging Forms of External Reporting (EER), there is a clear demand for comfort over narrative information beyond ISA 720, but these assurance products are still developing. Extending AUP engagements to include non-financial information should not be perceived as being the answer to this demand for assurance, but may in some instances provide the comfort that users need.

7. Do you agree with the Working Group's views that ISRS 4400 should be enhanced, as explained above, for the use of experts in AUP engagements? Why or why not?

Response

ACCA does not agree with the Working Group's views on the use of experts in AUP engagements. As a procedure in an AUP engagement is the communication of objectively verifiable factual findings, where a user requires input from an expert, this should be sought directly from the expert. Where such findings can only be obtained by using an expert, it is difficult to see how they can be considered objectively verifiable. Indeed, it may indicate that an AUP engagement is unsuitable for obtaining comfort in relation to the information.

8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?

Response

ACCA view supports these improvements.

9. Do you agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement? If not, what are your views?

Response

The procedures in an AUP engagement are agreed between the client and the practitioner. ACCA tentatively agrees with the Working Group's suggestion that an AUP report can be provided to a party that is not a signatory, provided that party has a clear understanding of the AUP and the conditions of the engagement. However, ACCA wonders how the practitioner could establish that that requirement has been

met. Furthermore providing the report to a third party may fuel the perception that some kind of assurance has been provided.

10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.

Response

ACCA prefers option (a). It is preferable for the practitioner to agree with the entity the specified parties who will receive the report and to require the entity to restrict distribution.

Response

11. Are there any other approaches that the Working Group should consider?

Response

No further comments.

12. Do you agree with the Working Group's view that recommendations should be clearly distinguished from the procedures and factual findings? Why or why not?

Response

ACCA agrees with the Working Group's view that recommendations should be clearly distinguished, as these could also constitute a separate engagement.

13. Are there any other areas in ISRS 4400 that need to be improved to clarify the value and limitations of an AUP engagement? If so, please specify the area(s) and your views as to how it can be improved.

Response

No further comments.

14. What are your views as to whether the IAASB needs to address multi-scope engagements, and how should this be done? For example, would non-authoritative guidance be useful in light of the emerging use of these types of engagements?

Response

ACCA supports the preparation of non-authoritative guidance, as suggested in the paper.

15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?

Response

ACCA agrees with the Working Group's view.