

June 6, 2017

Matt Waldron — Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Mr. Waldron,

Deloitte Touche Tohmatsu Limited (DTTL) appreciates the opportunity to provide perspectives and observations regarding the Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards*, (Discussion Paper) as developed by the Agreed-Upon Procedures Working Group (the Working Group) of the International Auditing and Assurance Standards Board (IAASB).

Executive summary

The comments expressed in this letter are predicated on the following overall views:

- An agreed upon procedures engagement (AUP engagement) is limited by the nature of the engagement to performing procedures that are objectively verifiable and agreed-upon by the specified parties, and result in reporting factual findings. As such, the need for the use of professional judgment may be more limited than in an audit, reasonable assurance or limited assurance engagement because the practitioner is not making the determination as to the nature, timing, and extent of the agreed-upon procedures (AUPs). However, DTTL agrees with the Working Group that professional judgment is never suspended, and that in the context of an AUP engagement, such judgment is applied in the context of professional competence and due care, as described in paragraph 11 of the Discussion Paper. DTTL also believes professional judgment is applied in engagement acceptance decisions.
- Appropriate consideration of the practitioner's independence is warranted; however independence requirements should be established by the International Ethics Standards Board for Accountants (IESBA) and as such, consideration of independence matters will require coordination between the IAASB and IESBA. Professional judgement on objectivity and independence are important in this area and may depend on facts and circumstances, including consideration of users of the report.
- The standard should be clarified such that an AUP engagement may be requested on non-financial information.
- An AUP report should be restricted to the specified parties named in the engagement letter (as they have agreed to the sufficiency of procedures for their purposes), notwithstanding that the practitioner or a specified party may be required by law or regulation to make the report available to a regulator or others.

Please refer to the attached Appendix for our detailed responses to the questions posed in the Discussion Paper.

DTTL would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (cbuss@deloitte.ca) or at +1 604 640 3313.

Very truly yours,

A handwritten signature in black ink, appearing to read "Calvin H. Buss". The signature is fluid and cursive, with the first name "Calvin" and last name "Buss" clearly distinguishable.

Calvin H. Buss, FCPA, FCA
Senior Managing Director, Global Audit Quality
Deloitte Touche Tohmatsu Limited

APPENDIX

DTTL's responses to the questions posed in the Discussion Paper are set forth in this appendix.

Question Number	Response
<p>Q1. 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?</p>	<p>Please refer to the Executive Summary.</p>
<p>Q2. Should revised International Standard on Related Services (ISRS) 4400, <i>Engagements to Perform Agreed-Upon Procedures for Financial Information</i> include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?</p>	<p>As discussed in the Executive Summary, while DTTL agrees that the use of professional judgment is limited when performing an AUP engagement, it would be appropriate to reference in any revised standard, the appropriate use of such judgment in the context of professional competence, due care, and engagement acceptance. DTTL is not aware of any unintended consequences if the standard clearly articulates the manner in which such judgment comes into play.</p>

APPENDIX

<p>Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?</p>	<p>Given the nature of AUP engagements, DTTL believes it is important that the practitioner not be viewed as being influenced by any relationship with the client and specified parties, and that appropriate independence requirements would provide for the practitioner to execute an AUP engagement in an unbiased and honest manner. Accordingly, DTTL believes that consideration should be given to including appropriate independence requirements in the revised standard on AUP engagements for both financial and non-financial information, in particular, given that the use of reports arising from AUP engagements by third parties is much broader today than when ISRS 4400 was originally issued. Given that independence requirements are established by IESBA, the IAASB will need to liaise with IESBA on these issues. Extant ISRS 4400 does not require independence, but does require the report to include a statement that the practitioner is not independent if this is the case. This approach may well continue to be appropriate for situations where the report is used mainly by management or those charged with governance; given that these parties will be well placed to consider and assess threats to the practitioner's objectivity. However, as AUP reports are increasingly being used or provided to third party users who will have less familiarity with the circumstances of the engagement and the possible threats to objectivity, consideration could be given to requiring independence for these engagements. However, it may be appropriate for narrower requirements to be established for AUP engagements than those applicable to audits or assurance engagements. For example, the Working Group might explore the requirements for independence with respect to AUP engagements in a similar manner to which they are dealt with for such engagements performed under the AICPA Attestation Standards in the US, which narrow the population of practitioners for which independence is required.</p> <p>DTTL's views would not change if the report is restricted to specific users.</p> <p>DTTL also believes that similar to the extant requirement in ISRS 4400, an AUP report on non-financial information should be restricted to the parties who have agreed to the procedures.</p>
<p>Q4. 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?</p>	<p>DTTL agrees with prohibiting the use of unclear or misleading terms. Terminology in an AUP report should be clear so as to enable those parties to whom the report is restricted to agree to the procedures and to evaluate the results of the procedures.</p> <p>Clear, concise terminology and related guidance such as that discussed in paragraphs 27 and 28 of the Discussion Paper will also enhance consistency. DTTL's views would not change if the AUP report was restricted.</p>

APPENDIX

<p>Q5. 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?</p>	<p>As discussed in the Executive Summary, DTTL believes that the standard should be clarified such that the scope of the revised standard specifically include procedures relating to non-financial information. In addition, DTTL supports ISRS 4400 providing pre-conditions with respect to undertaking an AUP engagement on financial or non-financial information, and in particular, pre-conditions relating to professional competence in non-financial areas.</p>
<p>Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?</p>	<p>Additional issues to consider if the scope is clarified to include non-financial information:</p> <ol style="list-style-type: none"> 1) what the report should state if matters come to the attention of the practitioner that (based on the exercise of the practitioner's professional competence and due care) significantly contradict the subject matter information or make it clear the subject matter information is factually incorrect; 2) the practitioner's need to assess the suitability of the AUPs such that they are sufficiently precise and clear so that the findings are nothing more than objectively verifiable findings; 3) the applicability of the concept of materiality when it comes to reporting findings with respect to non-financial information, it may not be readily quantifiable, whereas in AUP engagements relating to financial information there often is agreement among the parties that differences/exceptions below a certain amount will not be reported).
<p>Q7. 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?</p>	<p>DTTL agrees that ISRS 4400 should be enhanced regarding the use of experts, and it may be necessary to include considerations relevant to internal and external experts.¹ Paragraph 34 of the Discussion Paper does not currently distinguish between external and internal specialists.</p> <p>When accepting and performing an AUP engagement, the practitioner should determine whether use of an expert may be necessary or required based upon the practitioner's determination regarding the engagement team's collective knowledge of the underlying subject matter. If an expert is used, such an expert may perform one or many of the AUPs; and such an expert may be external or internal. DTTL believes the practitioner needs to evaluate the technical competence, objectivity, and independence of the expert – regardless of whether that expert is external or internal. However, DTTL disagrees with the Working Group that it is necessary to require the practitioner to reach agreement with the engaging party when a practitioner's internal specialist is used; although it may be something the practitioner may want to consider and could be included as guidance.</p>

¹ For example, please refer to ISA 620, *Using the Work of An Auditor's Expert* and AICPA Attestation Standards AT-C 205.36-38.

APPENDIX

<p>Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?</p>	<p>Various firms and practitioners present AUP findings using a variety of layouts. DTTL is supportive of making improvements to the illustrative reports; however, flexibility in format is needed given the number of subject matters and potential presentations required or requested by engaging parties as well as required by laws or regulations. DTTL believes that different formats should be acceptable as long as the required reporting elements of ISRS 4400 are met.</p>
<p>Q9. 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?</p>	<p>ISRS 4400 currently states that an AUP report "is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results."² We agree with this approach, but believe it should be modified to acknowledge that such report may be provided to others beyond the specified parties if required by law or regulation. DTTL's experience is that where an AUP engagement is required by law or regulation then the details of the procedures are more-likely-than-not listed in the specific statute or regulation and it is therefore clear to the user as to why the specific procedures were performed.</p>
<p>Q10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.</p>	<p>DTTL believes the third approach provides the most practicable solution; namely, to require the AUP report to include a statement to the effect that the report is intended solely for the users specified in the report who have agreed to the procedures for their purposes and may not be suitable for any other purposes, subject to law or regulation of the relevant jurisdiction. This approach is similar to that of International Standards on Auditing 800 (Revised), <i>Special Considerations – Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i>, paragraphs 14 and A21.</p>
<p>Q11. Are there any other approaches that the Working Group should consider?</p>	<p>No additional comments.</p>
<p>Q12. 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?</p>	<p>Yes, DTTL agrees that recommendations should be clearly distinguished from the procedures and factual findings, as the engagement is to perform AUPs. Any recommendations should be treated as a by-product of the AUP engagement and should be clearly distinguished from the report itself (for example, by providing separately in the form of a memo sent to the engaging party). Providing recommendations in the AUP report would be contrary to the objective of the AUP engagement, commingle advisory and non-advisory services, and may create confusion as to the meaning of the AUP report (i.e., including recommendations in the report would possibly imply that the practitioner is providing assurance rather than no assurance, as is the case with an AUP engagement.)</p>

² ISRS 4400.6.

APPENDIX

<p>Q13. 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.</p>	<p>ISRS 4400 currently does not include a requirement to obtain written representations from the responsible party; DTTL believes adding such a requirement should be considered. Such representations could be in the form of a letter addressed to the practitioner and include an acknowledgement of the responsible party's responsibilities including those related to the subject matter, selecting the criteria, when applicable, determining such criteria are appropriate for the specified users' purposes, and agreeing to the procedures performed.</p> <p>In addition, it should be made clear what the practitioner's responsibility is with respect to reporting knowledge gained during the AUP engagement regarding suspected fraud or noncompliance with laws and regulations.</p> <p>Also, it should be clear when an AUP engagement (e.g., due to the type of procedures performed or the form of reporting) is no longer an AUP engagement, but rather is more appropriately classified as an advisory or consulting service.</p> <p>Further, as discussed in our response to Q5, ISRS 4400 should incorporate pre-conditions to accepting the engagement.</p>
<p>Q14. 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?</p>	<p>DTTL agrees multi-scope engagements need to be addressed, particularly as there are different understandings of what constitutes a multi-scope engagement. DTTL believes that this can be done through the provision of non-authoritative guidance as opposed to setting additional standards.</p>
<p>Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?</p>	<p>Yes, DTTL agrees the IAASB should first address issues related to AUP engagements, before embarking on a project focusing on multi-scope engagements.</p>

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

This document contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this document, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this document.

© 2017. For information, contact Deloitte Touche Tohmatsu Limited.