

The International Auditing and Assurance Standards Board
IAASB Agreed-Upon Procedures Working Group

www.charteredaccountants.ie

29 March 2017

Dear Sir/Madam,

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

The Audit and Assurance Committee of Chartered Accountants Ireland ('the Institute') welcomes the IAASB Agreed-Upon Procedures Working Groups public consultation on exploring the demand for agreed-upon procedures engagements and other services.

Set out below are the Institute's responses to the questions raised for stakeholder input by the Working Group.

The Role of Professional Judgement and Professional Skepticism in an AUP Engagement

Question 1. Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgement has a role in a 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 judgement in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?

We agree with Working Group's view. This is consistent with the Institute's views on the role of professional judgement in an Agreed upon Procedure ("AUP") engagement.

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

The Institute's view is consistent with the Working Group: we consider that a discussion in the introductory section of the revised AUP standard that the role of professional judgment in an AUP engagement is in the context of professional competence and due care should help clarify the actions of the practitioner when performing an AUP engagement.

The Independence of the Professional Accountant

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

We agree with the Working Group's views regarding practitioner independence for AUP engagements. Mandating the requirement for independence may prove to be very restrictive given the context of these engagements. The existing approach taken in ISRS 4400 of requiring a statement in the report of factual findings where the practitioner is not independent strikes the right balance. The Institute's view would not change if the AUP report is restricted to specific users, provided that all parties were mutually agreed.

Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report

Question 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?

We agree with the Working Group's views regarding a prohibition on unclear or misleading terminology with related guidance on what unclear or misleading terminology means. This will be helpful guidance for the practitioner both in developing the AUPs to be performed and reporting factual findings in an AUP Report. Where the AUP report is restricted, there is warrant in a prohibition on unclear or misleading terminology however it really depends on the intended users of the report.

AUP Engagements on Non-Financial Information

Question 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?

We agree that market demands for AUP relating to non-financial information has increased and therefore consider it is appropriate for IAASB to clarify that the scope of ISRE 4400 includes such engagements. We would also support development of guidance giving additional clarification on preconditions to support practitioners in making appropriate decisions regarding acceptance and suitability of AUPs. In doing so, IAASB should take account of the need to provide a principle-based approach allowing for responses to new and developing circumstances and avoid an over-restrictive approach. As the use of AUP for non-financial information develops, it may be appropriate to issue specific subject matter guidance for common types of engagements such as the operation of internal controls over financial reporting.

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

We have no additional comments.

Using the Work of an Expert

Question 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?

If the Working Group does enhance ISRS 4400 for the use of experts in AUP engagements, it would be important to clarify what role this expert would have with appropriate examples of where and how an expert would be involved. There is a risk that involvement of an expert may imply an element of professional judgement which is not the objective of an AUP engagement.

Format of the AUP Report

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

We agree with the Working Groups suggestions for improvements to the illustrative AUP report. If the scope of the AUP standard will be enhanced to include non-financial information (per Question 5&6), it would be worth considering if an additional illustrative report in respect of non-financial information should be included. This would enable the practitioner to compare examples of appropriate terminology to use in both cases.

AUP Report Restrictions-to whom the AUP Report should be restricted

Question 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?

We agree with the Working Group's view, on the basis that the party has a clear understanding of the AUP's and the relevant conditions of the engagement. There should be separately agreed terms of reference between these parties. This terms of reference should be attached to the AUP engagement letter.

Some application guidance in the revised standard to address these scenarios would be helpful for the practitioner.

AUP Report Three Possible Approaches to Restricting the AUP report

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

We consider that approach 3 is the most appropriate.

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

Refer to response to Q.10 above.

Recommendations made in conjunction with AUP Engagements

Question 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?

We agree that where required, and recommendations are given, that they should be clearly distinguished. Any recommendations provided should be given in a separate document so that they are distinguished from the procedures and factual findings.

Appropriate guidance is needed in the revised ISRS 4400 in relation to the context of any recommendations given, particularly if these have been requested as an additional service which involves the provision of recommendations arising from the factual findings reported.

Question 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

An area for improvement would be in regard to the existing "documentation" requirements in ISRS 4400. Given that practitioners carry out this type of engagement with the same rigour as applied in an audit, with the distinguishing factor being that no assurance is expressed, the existing standard places limited emphasis on having appropriate documentation. This could be improved.

Multi-Scope Engagements

Question 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?

Given the added complexities with these engagements, we believe it would be best to address as a separate project. We would prefer that non-authoritative guidance is developed as a starting point

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

Yes, agree that ISRS 4400 revisions are needed in priority to developing guidance for multi-scope engagements.

Thank you for the opportunity to provide input for your Working Groups consideration, we look forward to seeing the revised ISRS 4400.

Please feel free to contact the Institute by email at anne.sykes@charteredaccountants.ie or by phone on +353 1-6377313 if you wish to discuss any of our comments in more detail.

Yours sincerely

Anne Sykes

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