

Responses of the IIASA to Working Group on Agreed Upon Procedures (AUP)

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?

We concur that AUP engagements should result in objectively verifiable findings.

Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?

No, issues relating to judgement could be dealt with in a separate report

Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?

Consideration should be given to the independence of the internal auditor under the IIA standards, which would be different to that of an external auditor. The report distribution should be restricted to specific users for whom the procedures have significance.

Q4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology means? Would your views change if the AUP report is restricted to specific users?

Unclear and misleading terminology should be prohibited as the report is factual. Guidance may be provided about unclear and misleading terminology. The IIA SA's views would not change if the report were restricted to specific users.

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?

AUP's could include non-financial information and consideration should be given to issues of competence related to the AUP of such information.

Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?

None presently.

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?

Yes, more information that requires factual confirmation is falling outside the financial information sphere although the consequences of such verification could have severe financial implications.

Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?

We would be particularly interested in receiving illustrative reports that you believe communicate factual findings well.

The IIA SA does not have example of such reports and cannot comment on the format of such reports, other than the report must be fit for purpose and provide an effective response to the client.

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?

The non-signatory party would need a clear understanding of the AUP and the conditions of the engagement. It is critical in such cases to ensure that there is no ambiguity or misunderstanding of terms that could result in damage to any signatory party to the assignment.

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.

Option a may be impractical in some legal jurisdictions. Option b is the preferred option as this places an obligation to agree on distribution channels wider than signatories and protects the principle of freedom of choice. Option c may be too lenient and could result in some unauthorised distribution.

Q11. Are there any other approaches that the Working Group should consider?

We believe the 3 approaches cover the relevant options.

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?

Yes there should be a clear distinction. Recommendations should be dealt with in a separate report or correspondence as this is not a factual finding of the current state of affairs even though it could lead to an improved state of affairs. Recommendations could also display weaknesses or risks which have not materialised and thus weaken factual to the findings in the report allowing for the reader to form an opinion contrary to the factual finding.

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.

Nil

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?

Yes the IAASB may address multi-scope engagements. Guidance would be useful.

Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?

Yes

Suggestions regarding the nature of guidance on multi-scope engagements you think would be helpful and any examples of multi-scope engagements of which you are aware will be welcome and will help to inform further deliberations.

Nil