

Supplement E to Agenda Item 5

RESPONSES RECEIVED ON THE DISCUSSION PAPER

EXPLORING THE DEMAND FOR AGREED-UPON PROCEDURES ENGAGEMENTS AND OTHER SERVICES, AND THE IMPLICATIONS FOR THE IAASB'S INTERNATIONAL STANDARDS

COMMENTS TO QUESTION 4

Note: This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the November 2016 Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards* and related analyses of significant issues are presented at the [September 2017 IAASB meeting](#). All comment letters on the Discussion Paper can be accessed [here](#).

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?

#	Respondent	Comments
Those Charged with Governance		
1.	IIA SA	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.
Regulators and Oversight Authorities		
2.	EUROPEAN COMMISSION	A prohibition on unclear or misleading terminology appears too strict, even if comforted with a related guidance on those concepts. The standards should oblige the parties to identify in advance the unclear or misleading terminology, before signing the engagement, and complement it with a mutually binding guidance, or with the determination of a procedure to timely cope with those situations. Indeed, the restriction of the report to specific users may help in enlarging the scope of the guidance, taking in due account potential needs of the stakeholder.

3.	IRBA	<p>4.1 We support the Working Group's proposal on prohibiting the use of unclear or misleading terminology since an AUP report is specific and factual. This could serve well as an additional measure to enhance objectivity and consistency throughout all AUP engagements performed.</p> <p>4.2 We recommend that the guidance contextualises or clarifies why a particular word should not be used. The guidance should be flexible and not prescriptive.</p> <p>4.3 Furthermore, we recommend that words that are prescribed in legislation or by a regulator, but are unclear or misleading, be defined in the scope paragraph of the AUP report.</p> <p>4.4 Refer to Appendix 1 for a list of proposed words that the Working Group can consider for inclusion.</p> <p>4.5 Our views will remain the same if the AUP report is restricted.</p>
National Auditing Standard Setters		
4.	AASB-CNAC	<p>As a general principle, we agree that unclear or misleading terminology should not be used. However, it is important to recognize that some terms that may seem misleading at first glance, may actually be appropriate when there is a common understanding of the terms between the entity and the user. Therefore, we would support guidance on what may constitute unclear or misleading terminology (as described in paragraph 27 of the Discussion Paper), but would not support a list of prohibited words.</p> <p>Canadian stakeholders have also informed us that they often encounter terminology prescribed by law or regulation that may be misleading. To avoid potential misunderstanding while allowing sufficient flexibility to meet legal or regulatory requirements, we propose that the practitioner be required to:</p> <ul style="list-style-type: none"> • Consider whether any of the terminology is unclear or misleading in light of the context the terminology is used; • Request terminology that is unclear or misleading be changed; and • If the unclear or misleading terminology cannot be changed because it is prescribed by law or regulation, include a definition of the terminology in the AUP report so that it is no longer unclear or misleading. <p>Our views would not change if the AUP report is restricted to specific users as unclear or misleading terminology could still be misinterpreted.</p>
5.	AUASB	<p>The AUASB is supportive of guidance on what constitutes unclear or misleading terminology, however notes that the practitioner's report needs to be in sufficient detail to enable the users to draw their own conclusions. Guidance could be in the way of examples. The AUASB considers that prohibiting terminology could make the standard too prescriptive.</p> <p>The Australian Standard on Related Services, ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings paragraph 47, touches on this issue "The report of factual findings for an agreed-upon procedures engagement shall be clearly distinguished from an assurance report in that it shall not contain: (a); (b) inappropriate use of the terms "assurance", "audit", "review", "opinion" or "conclusion".</p>
6.	CNCC-CSOEC	<p>We consider that terminology in ISRS 4400 should be clear, unambiguous and not misleading.</p> <p>The standard should provide guidance on what constitutes unclear or misleading terminology and what kind of terms can be used to describe appropriately AUP, as developed In paragraphs 27 and 28 of the Discussion paper.</p>

		Our views would not change whether the AUP report is restricted or not to specific users.
7.	FAP	NO RESPONSE
8.	HKICPA	It would be beneficial to provide some guidance on unclear or misleading terminology to avoid, even if the AUP report is restricted. This would help to reduce any expectation gap.
9.	IDW	<p>In our view, due the fact that legal or regulatory requirements, or contracts between other parties (which are written by legislators, regulators and lawyers, respectively, that often do not have a thorough understanding of the difference between assurance and agreed-upon procedures engagements) may require the use of certain words, we do not believe it would be a viable option to prohibit the use of certain words in an agreed-upon procedures report (hereinafter “AUP report) in these circumstances. However, the standard should include a requirement that when such words required by law, regulation, or third-party contracts are used in a manner at variance with the nature of an agreed-upon procedures engagement, the practitioner ought to define or describe those words in the AUP report so that their use is no longer unclear or misleading. The only other option that ought to be provided for in the standard would be to change the engagement to one that is not an agreed-upon procedures engagement (in some cases, changing to an assurance engagement might not be possible because the prerequisites for an assurance engagement cannot be fulfilled).</p> <p>However, for cases in which legal or regulatory requirements or third party contracts do not require the use of certain words, we do believe there is a case for prohibiting the use of certain words in an AUP report when describing the nature of the procedures being performed and the factual findings. Such words that would always be misleading when describing the nature of the procedures or the factual findings would include “present fairly”, “fairly stated”, “true and fair”, “audit”, “review”, “assurance”, “conclusion”, “certify”, “ensure”, “guarantee”, “significant”, and “material”, but there may be others. It is unlikely that the list can be exhaustive, but words with similar meanings would need to be covered by a requirement phrased in a general manner. Furthermore there is also a case for a general requirement that hinders the use of open-ended phrases that are not compatible with the nature of an agreed-upon procedures engagement.</p> <p>The noted requirements would need to be supported by some guidance on the types of words that are generally compatible with the nature of an agreed-upon procedures engagement with the proviso that these should also not be used in an unclear or misleading manner.</p> <p>Our views would not change if the AUP report is restricted because the appropriate use of words is connected to the nature of the engagement – not to whom the report is provided. Even when a report is restricted, there is a danger that those legitimately receiving the report may misinterpret the meaning of the words used.</p>
10.	JICPA	<p>We agree with the prohibition on unclear or misleading terminology. We do not view this prohibition should change by the restriction of AUP report to specific users. In addition, we believe that the provision of application guidance and the supplement on what constitutes unclear or misleading terminology will be valuable.</p> <p>In the Professional Guidelines 4400, both appropriate examples and inappropriate examples are listed in reporting the procedure outcomes, prescribing the prohibition provision not to apply misleading terminology that may be mistaken for assurance engagement; for example, “sufficient,” “appropriate,” and “we certify.”</p>

11.	MAASB	<p>The AASB agrees with the Working Group that the following should be included in the revised ISRS 4400:</p> <ul style="list-style-type: none"> (a) A prohibition on unclear or misleading terminology; (b) Guidance to be applied when unclear or misleading terminology is required by law or regulations; (c) Guidance on what constitutes unclear or misleading terminology; and (d) Guidance on terminology that is often used appropriately in practice. <p>The AASB's view will not change if the AUP report is restricted to specific users.</p>
12.	NBA	<p>We recognize that some terms have technical meanings that vary from everyday meaning. It is better to avoid some terms, but sometimes this can be hard just because of this every-day meaning. Therefore a prohibition can be a problem for the practitioner in practice and in disciplinary cases at the end. We prefer to help the practitioner with the way of reporting through explanation in the A-paragraphs. For example: Terms that are less appropriate to use in a report are 'assurance', 'audit', 'review', 'judgment', 'conclusion'. These terms are related to assurance engagements. We also believe that it helps to give some examples of reports. See Appendix 1, paragraph A6 (positive examples), A22.</p>
13.	NZAuASB	<p>Unclear and misleading terminology in an AUP report creates confusion over what is being stated in the report, however, prohibiting terms/terminology may not suit all situations. The practitioner's report on AUP needs to (1) describe the purpose of the agreed-upon procedures and (2) describe the agreed-upon procedures in sufficient detail to enable the user to draw their own conclusions, including listing the procedures performed and the results and exceptions noted.</p> <p>Educating practitioners in appropriate terminology is critical to ensuring the report on AUP is not unclear or misleading. The NZAuASB believes that the standard should include guidance on terminology that may be unclear or misleading, as well as guidance on terminology that is often used appropriately in practice. However, due to the nature of AUP engagements, there will not be a one-size fits all framework, and wording that is appropriate in one circumstance may not be appropriate in another.</p> <p>The NZAuASB notes that the use of unclear language often stems from poorly worded requirements in law or regulation. In some situations, the wording can be difficult, if not impossible, for the practitioner to comply with and an alternate type of engagement may be more appropriate.</p> <p>The NZAuASB's view does not change if the AUP report is restricted to specific users, as those reports may, in practice, still be used by those that are not party to the report.</p>
Accounting Firms		
14.	BDO	<p>The terminology used in the AUP report is critical in ensuring that the procedures are precise and the findings are clear from both the user and practitioner perspectives. We support the inclusion in the revised standard of examples of terminology that would be considered unclear or misleading; however, such a list is unlikely to ever be complete. We have concerns about prohibiting the use of unclear or misleading terminology in general as these may form part of the legal or regulatory requirements of the AUP engagement. In addition, what a practitioner views as unclear or misleading may differ from the view of a reader of the report. As a result, such a prohibition would be difficult to implement. We propose instead to include guidance that the practitioner, with the entity, review the procedures and report for unclear or misleading terminology and if necessary, define these terms in the report.</p>

		<p>Examples of unclear or misleading terminology with the revised proper wording could be provided in the application guidance. We also suggest that objectively understood factual findings be emphasised in the application guidance.</p> <p>For example, the Canadian Standard on Related Services (CSRS) 4460 – Reporting on Supplementary Matters Arising from an Audit or a Review Engagement includes certain requirements regarding terminology. Per paragraph 20(c) of this standard: “When the other reporting responsibility includes items that are subject to significant interpretation, identify such items and define or interpret them.”</p> <p>There is also some guidance within this standard which discusses the use of certain phrases that may be misleading. Per paragraph A23:</p> <p>“Further, the body of some prescribed forms may use words or phrases such as “in my opinion”, “verify”, “certify”, or “confirm”. The practitioner’s ability to accept engagements involving such forms is dependent on how these terms are used. When the use of these terms implies that the practitioner is forming a conclusion on the prescribed form as a whole (for example, certifying that the contents of the form are correct), the practitioner would not accept the engagement. However, the use of such terms in some contexts may not preclude the practitioner from accepting the engagement. For example, a questionnaire may require the practitioner to certify that the practitioner observed the entity’s year-end inventory count as part of the audit engagement. Such a statement could be provided.”</p> <p>Application paragraph A61 goes on to state:</p> <p>“The practitioner is not required to list terms and/or interpretations in the practitioner’s report. However, the practitioner may choose to do so. The practitioner may state, for example:</p> <ul style="list-style-type: none"> • We interpreted “adequate books and records” to mean that the accounting ledgers and related source documentation were sufficient to enable us to opine without qualification on the related financial statement audit. • We interpreted “timely” to mean within one week.” <p>This view would not change even if the AUP report is restricted to specific users.</p>
15.	CHI	<p>In general, we agree with the approach taken by the Working Group. The list of “unclear” or “misleading” terminology in paragraph 27 is very clear, and ought to be used in the final pronouncement.</p> <p>We note that law or regulation may be the source of the unclear or misleading terminology. In many cases, probably nothing can be done, but a report is required. If the report is being delivered for a particular purpose, perhaps for a specific user, then it is difficult to see what the issue will be.</p> <p>This leads to “restricted” reports. In these cases, a pragmatic approach should be taken, permitting greater flexibility with terminology, particularly where law or regulation specifies terms.</p>
16.	DTTL	<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>

17.	EYG	<p>We do not believe that the requirements of ISRS 4400 need to be amended to prohibit or prescribe the nature of terminology to be used for the description of the procedures or the factual findings in the AUP report. Instead, we would prefer an approach similar to that taken in paragraph A47 of ISA 701, Communicating Key Audit Matters in the Independent Auditor’s Report, which sets forth guiding principles in the application material related to the descriptions of key audit matters. Our views are not dependent on whether the report is restricted.</p>
18.	GTIL	<p>In our experience, the biggest challenges encountered in performing AUP engagements are responding to requests to perform procedures using terminology that is unclear and potentially misleading; and reporting the findings of the engagement using terminology that is clear and does not imply that a level of assurance has been provided.</p> <p>We believe that prohibiting specific terms may have unintended consequences. We prefer an approach where the practitioner would not accept the engagement where the procedures convey a level of assurance associated with an audit or with a review engagement. We recommend that application material be developed to provide guidance to practitioners around the terms and phrases that should not be used in the performance of an AUP engagement. For example, the guidance could provide details of terms that have a different meaning in everyday use; terms that have a specific technical use; and phrases that are not sufficiently specific, such as "no exceptions noted." With respect to reporting, we believe the practitioner should be required to report in a factual manner. Guidance on the types of terms that are often appropriate to use would also be helpful.</p> <p>We do not believe that restricting the distribution of the AUP report would alleviate issues with unclear and misleading terminology, as this could be equally unclear and misleading to those for whom the report is intended, and often the use of such terminology is requested by those that are a party to the AUP report. In this respect, there may also be an opportunity to inform those stakeholders for whom the AUP report is intended of terms that may be considered unclear or misleading, possibly through outreach in conjunction with national auditing standard setters.</p>
19.	KINGSTON SMITH LLP	<p>There can be an expectation gap with AUP engagements and what they entail; namely that one or more of the parties to the engagement believe that some form of assurance is being provided, or expect it to be provided, when an AUP engagement does not in fact provide any assurance. The use of inappropriate terminology such as ‘verify’ and ‘certify’ in template reports drafted by grant-giving bodies is an issue which is often encountered in practice and such reports often have to be redrafted to avoid giving the impression that assurance has been provided when the procedures to be performed would be insufficient for this purpose.</p> <p>As noted in our introductory remarks, the use of inappropriate terminology (such as ‘verify’ or ‘certify’) in template reports is one that is regularly encountered in practice and we therefore strongly agree that a prohibition on unclear or misleading terminology, with related guidance, would be useful. Our views would not change if the AUP report is restricted to specific users.</p>
20.	KPMG	<p><i>Combined answer to question 1, 2 and 4</i></p> <p>Unclear or misleading terminology</p> <p>In our experience, there is a lack of understanding in the market of the nature of an AUP engagement, in particular why it is important that key stakeholders understand and agree on the procedures to be performed. As a result, procedures initially suggested by a stakeholder (e.g. the engaging party, preparer, management or a third party user) are often those which are not</p>

		<p>conducive to reporting factual findings because their performance requires the use of professional judgement and/or they are subjective in nature.</p> <p>While the Standard does not provide specific guidance relating to the extent to which a practitioner may be involved in getting agreement on the nature and extent of the procedures to be performed, in practice practitioners are often consulted in this regard. We view this type of involvement by practitioners as something that can enhance the usefulness and credibility of an AUP engagement. Therefore, we see value in practitioners providing input to the process of agreeing and scoping the procedures, as well as describing them in a language which is not misleading (i.e. not suggesting a level of assurance is provided) or unclear, based on their experience and understanding of the purpose of the AUP engagement and how users will use the factual findings. It may be helpful for the Standard to include examples of appropriate and inappropriate language to describe procedures.</p> <p>We also believe that professional judgement has a role in the planning of AUP engagements and in helping practitioners provide critical challenge and support to the preparer/user who is determining the procedures as well as in the acceptance decision, particularly the judgement as to whether an AUP engagement is fit for purpose.</p> <p>We therefore believe the Standard would be enhanced if it included guidance as to the professional judgement required and what constitutes evidence that (i) the practitioner has satisfied themselves that key stakeholders have sufficient understanding/agreement of the procedures and terms of the engagement; and (ii) the actions that may be taken, for example in the report of factual findings, if it is not practicable to get the understanding/agreement of some of these stakeholders such as third party users. We also recommend that the IAASB considers including some of the content of paragraph 12 of the DP in the Standard.</p> <p>We also believe that the IAASB, as part of the process of developing and obtaining acceptance of an updated Standard on AUP, can play a role in enhancing user understanding of the nature and purpose of AUP to reduce requests for inappropriate scopes of work under the umbrella of AUP. An example would be requests from grant-awarding public sector bodies for AUP engagements that include procedures such as "review cost allocations to determine if they are reasonable".</p> <p>We therefore recommend the IAASB consider liaising with other parties, including regulators, legislators, and national standards setters, in developing guidance (educational material) on the type and scope of services. This will facilitate bridging the expectation gap between users and practitioners when requesting and performing, AUP, assurance or advisory services, respectively.</p> <p>Granularity in description of procedures and findings</p> <p>We believe it is reasonable for practitioners to bring judgement to bear in determining the level of granularity necessary in the description of procedures performed – both in agreeing the scope of engagement and in the report of factual findings. In some cases, it will be appropriate for every test to be described in detail; in other cases, it may be appropriate to group tests together under summary descriptions.</p> <p>The principle that the description of a test should be such that another practitioner would be able to replicate the test from the description remains the optimum means of reducing the level of risk in an AUP engagement. Accordingly, we consider that the Standard should allow practitioners to apply a degree of judgement in describing the procedures and findings where the nature and scope of the procedures are well understood by users.</p>
21.	PKFI	<p>We recommend that the revised Standard prohibit the use of unclear or misleading terminology in the AUP report, but do so largely in a non-prescriptive / principles-based manner. It should further specifically discourage the use of assurance or opinion related terms such as "review", "concluded" and "reasonable".</p>

		<p>Even to the extent that the AUP report is restricted to specific users, unless otherwise impracticable to do so, the report should not contain unclear or misleading terminology. As described in the WG's Discussion Paper, including guidance in the form of examples of such unclear or misleading terminology would be useful.</p> <p>Where unclear or misleading terminology is required by law or regulation, these terms could be clearly defined in the AUP report so as to eliminate any misunderstanding.</p>
22.	PwC	<ul style="list-style-type: none"> It is important that the practitioner's report is clear so that users do not misinterpret the nature and extent of work performed. It will be particularly important where the report is intended to be distributed outside the entity (e.g., to external third-party users, or a class of users, or a wide range of users), to ensure that terminology used in the report is capable of being easily understood and that the risk of misinterpretation is mitigated. This can in part be addressed by the practitioner in describing the procedures, but some high-level guidance such as "don't use words that imply assurance" or don't use words such as "audit", "review" or "assurance" cautioning practitioners against using imprecise terms or terms of uncertain meaning in describing the procedures could be helpful to clarify what would not be appropriate.
23.	RSM	<p>We agree that unclear or misleading terminology can cause confusion in AUP engagements and often results in an expectation gap between what the user thinks has been done and the actual procedures carried out by the practitioner. It is therefore critical to meeting the objectives of an AUP engagement that both sides use precise wording from the outset.</p> <p>It would be useful to have guidance in the standard regarding unclear language, together with the rationale behind those views. Additionally, it would be helpful to have guidance in the standard to illustrate how a practitioner can explain or bridge from unclear language that is required by regulation to appropriate terminology. However, we do not think that, given the wide spectrum of these reports, that an outright ban on certain phraseology would be appropriate.</p> <p>Restricting the AUP report to specific users will not, in our view, change this position because unclear terminology may still cause confusion.</p>
Public Sector Organizations		
24.	AUDIT NEW ZEALAND	<p>We agree with the prohibition on unclear or misleading terminology. We agree with the examples provided as guidance. However it would be helpful to preface the examples with more explanation of what unclear or misleading terminology includes at a higher level. For example, terminology that implies audit or assurance services rather than agreed upon procedures. Whether or not the report is restricted to specific users does not change our views on this.</p>
25.	CIPFA	<p>We agree that this is important, and the ISRS needs to provide material which will prohibit the use of unclear or misleading terminology.</p> <p>Clarity is needed about what levels of assurance are provided in all IAASB standards, and this is particularly true for AUP, where no assurance opinion is provided, and users of the AUP report assess for themselves the factual findings based on the procedures performed and draw their own conclusions.</p> <p>This issue cannot be addressed purely through ISRS 4400. A significant issue is that those parties who request reporting from accountants and assurance professionals may not understand the differences between the various types of engagements. It might</p>

		<p>be helpful to produce educational material which explains how verification and reporting can be undertaken for a range of information other than financial statements. Ideally this would be read before the entity decided on the type of assurance or other reporting required, but it might also be useful to inform discussions with professional accountants when the terms of the engagement are being agreed.</p> <p>We do not consider that restriction of the AUP report significantly affects these matters.</p>
26.	PAS	<p>Unclear or misleading terminology should be prohibited by the new standard in order to ensure the report of factual findings remains accurate and clear, with the exception where unclear or misleading terminology is required by law or regulations. In the case where it is required by law or regulations, definition of these terms in the terms of reference of the report should be provided.</p>
Member Bodies and Other Professional Organizations		
27.	ACCA	<p>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.</p> <p>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.</p> <p>ACCA views remain the same even if the AUP report is restricted to specific users.</p>
28.	AE	<p>It is important to have clear and unambiguous terminology which is not misleading. We already had a long history of discussions with other stakeholders on this matter. You may refer to our letter to the European Commission (EC) on the role of the auditor in the certification of Horizon 2020 EC grants.</p> <p>In addition, the current technical jargon included in the standard is not suitable for use in practice by many non-technicians using the standard. The IAASB is invited to reflect on the need to have more flexibility in the use of the standard and ensure that it can be applicable to different scenarios as it is now also more widely used. One recent example of the wide use of AUP is the Single Resolution Board (SRB) that asks financial institutions to provide either a management sign-off or an AUP Factual Findings report¹².</p> <p>(23) Terminology in ISRS 4400 should be clear, unambiguous and not misleading. The standard may also include guidance about what unclear or misleading terminology means. Our views would not change whether the AUP report is restricted or not.</p> <p>(24) In our response to the European Commission (EC) on the "Role of the auditor in Certification of Financial Statements and Methodology in Horizon 2020 (H2020) EC grants", we raised awareness about a number of examples of misleading</p>

¹²<https://www.accountancyeurope.eu/publications/fee-submits-a-letter-to-the-european-commission-regarding-horizon-2020/>

		<p>terminology, such as the use of the term “review”, that could lead to practical issues and potential inconsistencies in the work performed by the practitioner, especially in the context of international professional standards.</p> <p>(25) In practice, though, this issue cannot be addressed by changes to the standard alone. It requires engaging with those who develop and request the procedures about the nature and scope of AUP engagements generally.</p> <p>(26) In addition, having overly strict guidance (or a ban on words) could lead to practitioners being prohibited from accepting certain engagements, with the result that the client would be unable to comply with the requirements imposed on them. Thus, the standard should include a requirement that when specific words are required by law, regulation or third-party contracts, the practitioner should seek to use more appropriate terminology by negotiation where appropriate, and if that fails, to define or describe those words in the AUP report so that their use is no longer unclear or misleading. Where this is not the case, we agree that ISRS 4400 should prohibit, in general, the use of unclear or misleading terminology and a small number of words - such as ‘review’, ‘audit’, or ‘assurance’, that would be unclear or misleading in all cases.</p> <p>(27) Terminology will impact the engagement terms, as well as the report wording. Any added guidance would need to address both.</p>
29.	AICPA	<p>We strongly support a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology means, as can be found in SSAE AT-C section 215, Agreed-Upon Procedures Engagements. As we require that the use of the report be restricted in all AUP engagements, our views would not change if the AUP report is restricted under ISRS 4400. We do not believe that unclear or misleading terminology is ever appropriate, even if the report is restricted to selected parties.</p>
30.	ASSIREVI	<p>We welcome the amendment of the current standard to include a clear guidance about suitable terminology to be applied for reporting purposes. Our view would not change if the AUP report is restricted.</p>
31.	CAANZ	<p>We welcome such prohibition. The Code requires professional accountants not to be associated with unclear or misleading reports. The current ISRS 4400 already provides a helpful non-exhaustive list of appropriate terms. We suggest principled guidance as to what kinds of procedures are appropriate for an AUP engagement, with related application guidance containing non-exhaustive lists of both recommended and prohibited terms in the AUP report to better explain those procedures.</p> <p>This guidance should be supported by further clarifying the scope of ISRS 4400, for instance by stating carve-outs. This may address the root cause of the use of inappropriate terminology. Scoped-out engagements should include any services requiring subjective views and judgment, and practitioners should be reminded that ISRS 4400 is not to be used for all non-assurance engagements other than compilations. Likewise, users seeking assurance should be offered assurance engagements and AUPs should be kept for engagements where reporting of facts meets the needs of the clients.</p> <p>We agree that terms such as “review” and “reasonable” should be prohibited – not because they imply assurance, but rather because they suggest a subjective view instead of a fact. Other terms such as “analysis” and “checked” are also problematic. These are accountants’ terms for recalculating and comparing, but may imply assurance if used in undefined or colloquial terms. Cited sources are also often vague, eg “we obtained supplier statements” or “requested confirmation” without specifying where those were obtained from, or “schedule of major customers” without testing (that they are) or defining what qualifies as “major.”</p>

32.	CAI	<p>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.</p>
33.	CPAA	<p>We consider that it would be beneficial for the standard to specify terms which should not be used in connection with an AUP engagement, in order to minimise misunderstandings about the nature of those engagements. The terms used most commonly in relation to assurance engagements would be important to restrict in relation to an AUP engagement. In ASRS 4400, this is addressed in paragraph 47, which states that a report of factual findings shall not contain "inappropriate use of the terms "assurance", "audit", "review", "opinion" or "conclusion"" or "any statement that could reasonably mistaken for a conclusion". We agree that further guidance could be usefully provided in the revised ISRS 4400 on how to word factual findings so that they are not unclear or misleading.</p> <p>We consider that unclear or misleading terminology should be prohibited in an AUP engagement regardless of whether the AUP report is restricted.</p>
34.	EFAA	<p>We welcome in principle a prohibition on unclear or misleading terminology in AUP reports. Indeed, the IESBA Code of Ethics for Professional Accountants prohibits professional accountants from being associated with misleading information.</p> <p>That said, the practical implementation of such a prohibition as well as the creation of useful guidance looks impractical for various reasons: terminology regarded as unclear or misleading will need to be from a user's perspective; assumptions will need to be made as to an appropriate level of user skill and experience; the circumstances of the individual engagement will need to be taken into account; and non-native English speakers will face the challenge of translation and the risk of translation inaccuracies. Moreover, it is the responsibility of the engagement client and others that legitimately receive the report, to demand clear and unmistakable terminology in the AUP report irrespective of whether a report is restricted or not. This demands educating users and those who request the procedures about the nature of AUP engagements and the appropriate terminology that should be used.</p> <p>The Working Group may wish to consider whether to require, as is practice in some jurisdictions, to report explicitly that the report does not mean to apply to the subject of the engagement in total. For example, factual findings on the examined part of management remuneration is not supposed to conclude on all management remuneration.</p>
35.	FACPCE	<p>We consider that the use of unclear and misleading terminology should be prohibited and emphasis should be placed on the obligation to use clear and non- misleading expressions.</p> <p>We believe it is wise to create a guide related to unclear and misleading expressions.</p>
36.	FAR	<p>FAR believes that the use of misleading or unclear terminology generally should be prohibited in an AUP report, unless specific wordings are required by law or regulation. By prohibiting the use of misleading or unclear terminology generally, FAR means that the standard should not forbid specific terminology, but instead discuss what terminology may be misleading or unclear and give examples. The revised ISRS 4400 should leave to the practitioner to determine which terminology is misleading or unclear. A list of specific prohibited terminology may be useful in the English original of the standard but may be difficult to translate to other languages, which is why FAR does not approve of such a list. In the cases when the practitioner, due to law and regulation, should</p>

		<p>be required to use unclear or misleading terminology in the AUP report the practitioner should explain the meaning of the used terminology. Clear guidance on wording in the AUP report would make it easier for practitioners to write their reports but also to respond to questions from clients regarding used terminology or demands from third parties to use a specific format.</p> <p>FAR does not have any other opinion if the report is restricted to specific users.</p>
37.	FSR	<p>The terminology used in an AUP engagement should be clear, unambiguous and not misleading. In our view, the standard should include guidance about what unclear or misleading terminology means. Our views would not change whether the AUP report is restricted or not.</p> <p>Having strict guidance could lead to practitioners being prohibited from accepting certain engagements, with the result that the clients would be unable to comply with requirements imposed on them. Thus, the standard should include a requirement that when specific words are required by law, regulation or third-party contracts, the practitioner should seek to define or describe those words in the AUP report so that their use is no longer unclear or misleading. Where this is not the case, we agree that ISRS 4400, in general, should prohibit the use of unclear or misleading terminology and a small number of words - such as 'review', 'audit', or 'assurance', that would be unclear or misleading.</p>
38.	IBR-IRE	<p>This point is very crucial to us. The clarity of the wording of the procedures is of paramount importance not only for the reader's understanding of what the procedures are about but also for the practitioner to be very clear on what it is he or she is supposed to perform. Providing examples of prohibited unclear or misleading terminology would be helpful, in the guidance section. We would also welcome additional guidance to address the situation where the use of unclear or misleading terminology is required by law or regulation, such as for example requiring the practitioner explains in his report how the terms required by law or regulation interact with the technical terms used in the report.</p> <p>This does not depend on whether the AUP report is restricted to specific users, or not, in our view.</p>
39.	ICAEW	<p>3. We consider that one of the main problems arising with AUP in the UK stems from reporting demands of national regulators and other governmental organisations under the umbrella of an AUP engagement – mainly through lack of understanding and awareness of the limitations of AUP engagements. An update of this standard will not, of itself, resolve these issues, though it would certainly be a useful point of reference in discussions with these bodies.</p> <p>4. ICAEW has worked with a number of regulators and government bodies to support the development of appropriate reporting frameworks to meet their needs and has issued both generic – and more specific - guidance to ICAEW members on performing these types of engagements (for example, ICAEW Technical Releases TECH10/12AAF Reporting to Third Parties and AAF 01/10 Framework document for accountants' reports on grant claims). More recently we have also published a paper Audit v other forms of assurance aimed at public sector bodies which explains the differences between the types of report that might be requested.</p> <p>5. We, therefore, consider that it would be helpful to have some guidance in the standard about unclear and misleading terminology to provide practitioners with the ammunition to rebut some of the procedures or report wording being requested by third parties, for example, guidance which firmly discouraged the use of words such as audit, review and assurance. However, having overly strict guidance (or a ban on words) could lead to</p>

		<p>practitioners being prohibited from accepting certain engagements, with the result that the client would be unable to comply with the requirements imposed on them. It is also important to note here that terminology will impact the engagement terms as well as the report wording and any guidance added would need to address both.</p> <p>15. We agree that unclear or misleading terminology presents a real problem for practitioners. Indeed, ICAEW has worked with a number of regulators and government bodies to help set up reporting frameworks to meet their needs and has issued both generic – and more specific - guidance to ICAEW members on performing these types of engagements (for example, ICAEW Technical Releases TECH10/12AAF Reporting to Third Parties and AAF 01/10 Framework document for accountants’ reports on grant claims). More recently we have also published a paper Audit v other forms of assurance aimed at public sector bodies which explains the differences between the types of report that might be requested.</p> <p>16. It would certainly, therefore, be helpful to have some guidance in the standard to provide practitioners with the ammunition to rebut some of the procedures or report wording being requested by third parties, for example, guidance which firmly discouraged the use of words such as audit, review and assurance.</p> <p>17. This issue, however, can’t be addressed by changes to the standard alone – and it requires engaging with and educating those who request/develop the procedures about the nature and scope of AUP engagements generally.</p> <p>18. Also, having overly strict guidance (or a ban on words) could lead to practitioners being prohibited from accepting certain engagements, with the result that the client would be unable to comply with the requirements imposed on them.</p> <p>19. Restrictions of the AUP report to certain users is irrelevant in this context and would only serve to create confusion about the scope and nature of AUP engagements.</p> <p>20. It is important here, however, to note that terminology will impact the engagement terms as well as the report wording and any guidance added would need to address both.</p>
40.	ICAG	<p>We believe that, the choice of terminology should be clear and understandable to everyone and should not be misleading in terms of interpretation by any other user (even when it is specific). We believe this will enhance consistency in the report(s) within a particular industry. Though some of the reports may be specific, they may be subject to different interpretations by different persons within the same entity if the terminology is not clear and concise.</p> <p>A4. We agree quite strongly with this prohibition. The AUP is intended to convey certain information concerning procedures performed and the results thereon. Misleading or unclear terms invalidate the universal usage of the AUP report and limit its use/effectiveness. The standard should include prohibition of unclear or misleading terminology. There should be no ambiguity in the terminology and should not include any terminology that will suggest any meaning beyond an AUP. This view will not change if the AUP report is restricted to specific users or any type of restriction.</p>
41.	ICAS	<p>We also believe that it is important for the standard to contain clear and unambiguous terminology which is not misleading and does not create the misconception that any form of assurance is being provided to the user of an AUP report. Therefore, the inclusion of words such as assurance, review and audit within International Standard on Related Services (ISRS) 4400 should be avoided.</p> <p>We believe that the current use of misleading and unclear terminology creates confusion around the nature of the engagement and, in some instances, a misconception that some assurance is being provided by the practitioner undertaking an AUP.</p>

		<p>However, the suggestion of a prohibition on such unclear or misleading terminology should be limited to those terms and words that create most confusion. For example, the use of words such as review, assurance and audit should be avoided as these may give the false impression that some assurance is being provided in an AUP.</p> <p>Changes to the standard alone might not be sufficient to address the issue over the use of misleading and unclear terminology therefore we would also encourage greater engagement and outreach with third parties to help raise awareness of this issue.</p> <p>Our views would not differ if the AUP report was restricted to specific users.</p>
42.	ICASL	<p>It's an important initiative to;</p> <ul style="list-style-type: none"> - avoid unclear or misleading terminology - make sure that required terms with reference to the law or regulation no longer unclear or misleading the engaging party and - incorporate a guidance on unclear or misleading terminology and terminology that is often used appropriately practice to the standard <p>This view doesn't change irrespective of AUP report is restricted to specific users or not since the purpose is to achieve more accurate and clear picture through the terms used in describing AUP and report on factual findings.</p>
43.	ICAZ	<p>We are in agreement with the working group that a prohibition on unclear or misleading terminology with related guidance regarding what unclear or misleading terminology could mean should be included in the revised ISRS 4400. This would provide clarity and will result in consistency in the wording of AUP reports. The use of terminology such as "we certify" or "present fairly" are likely to mislead the reader's understanding of the nature and the extent of the work performed.</p> <p>Our views would not change if the AUP report is restricted to specific users.</p>
44.	ICPAU	<ul style="list-style-type: none"> • Prohibit unclear or misleading terminology. • Views would not change if the report is restricted to specific users.
45.	ISCA	<p>3.1 Having a set of common and appropriate terminology to be used in AUP reports would help users better understand which terms are widely accepted, clear and appropriate in the context of an AUP engagement, and help minimise misinterpretation of the nature and extent of work performed by the practitioner. Hence, our stakeholders welcome the inclusion of prohibition on unclear or misleading terminology with related guidance on appropriate terminology often used in practice, in the revised ISRS 4400.</p> <p>3.2 Stakeholders believe that the guidance proposed should be sufficiently clear so as to be useful when practitioners develop wordings for procedures and factual findings. The IAASB may wish to consider providing specific guidelines on what is unclear or misleading terminology, in the relevant context, with examples and explanations. There may be wordings which are inappropriate in all circumstances and wordings which may or may not be unclear or misleading, depending on the context. These guidelines, when applied, should be helpful in developing such wordings but not overly restrictive.</p>
46.	KICPA	<p>(1) We agree with the provision of guidance as to what unclear or misleading terminology means.</p>

		<p>The guidance could support professional accountants and AUP clients clearly define relevant terminologies with more care when having a prior negotiation on AUP engagements, thereby contributing to clarifying AUP engagements by preventing AUP report users from misunderstanding procedures performed and relevant factual findings.</p> <p>(2) As for prohibiting the use of unclear or misleading terminology, however, we disagree.</p> <p>Based on the nature of AUP engagements, it would be most reasonable to allow that relevant parties make a negotiation and reach a consensus on AUP-related terminologies. After all, professional accountants and AUP clients perform the engagements according to procedures negotiated between them. In addition, the prohibition of unclear or misleading terminology could produce unnecessary limitations between parties, and, making worse, unclarify or mislead the description of AUP, itself, when terminologies most appropriate to the relevant engagements are prohibited. Still, it would be necessary to place a minimum level of limitation in use of terminologies, because terms, such as “assurance,” “present fairly,” and “audit,” which cannot be definitely used in AUP reports, could be misled as assurance.</p>
47.	MICPA	MICPA agrees with the Working Group and its view remains even if the AUP report is restricted to specific users.
48.	NASBA	<p>We agree that the standard should prohibit unclear or misleading terminology, and provide related information when needed.</p> <p>In cases where such language is “required by law or regulation,” the Working Group may require the practitioner to consider discussing with the engaging party and the user (the party that requires the use of such unclear or misleading terminology) whether it is possible to define the required terms with reference to the required procedures in the AUP report so that they are no longer unclear or misleading.</p> <p>Alternatively, an assurance engagement (instead of an AUP engagement) may be requested. We agree with the position of the Working Group. These discussions can also be documented and agreed to in the engagement letter.</p>
49.	SAICA	<p>41. 81% of survey respondents indicated that guidance on what constitutes unclear or misleading terminology would be useful and 68% of the survey respondents indicated that their view would not change if the AUP report is restricted to specific users.</p> <p>42. It is our view that prohibiting unclear or misleading terminology may not be practical; however guidance on terminology that is considered to be unclear or misleading terminology would be useful.</p> <p>43. 59% of survey respondents indicated that definitions are included in AUP reports that they have been involved with, for terminology that may be considered to be ambiguous or having a meaning that may vary for their everyday meaning. This mitigates the risk of users misinterpreting the reported findings and illustrates to some extent that practitioners and engaging parties already appreciate the need to clarify terminology in the interest of meeting the information needs of the intended users. However, this practice is not being consistently applied across AUP engagements.</p> <p>44. SAICA is supportive of the suggestion in paragraph 26 of the Discussion Paper (second bullet point) as it relates to unclear or misleading terminology required by law or regulation. However, we suggest that the Working Group also consider the possibility or feasibility of expanding this in a broader context by requiring practitioners to discuss with the engaging party and the users any terms that are considered to be unclear or misleading and to seek alternative terms that would be more appropriate to the nature and purpose of an AUP engagement, and where alternative terms are not found, to include definitions of such terms in the AUP report (or alternatively that an assurance engagement as opposed to an AUP</p>

		<p>engagement would be more appropriate in the circumstances). Such discussions with the client and the outcomes will obviously also form part of the practitioner’s engagement acceptance and continuance considerations.</p> <p>45. Furthermore, SAICA believes that the revised ISRS 4400 should include a list of general terms that should either be prohibited or explained in the AUP report. Incorporating the approach suggested in paragraphs 27 and 28 of the Discussion Paper would provide some useful guidance on what constitutes unclear or misleading terminology. It is advised that if this approach is followed that a more comprehensive list of terms be developed and included in the revised ISRS 4400.</p> <p>15 ISRS 4400, paragraph 7 16 ISRS 4410 (Revised), paragraph 21; A21</p> <p>46. Due to the uniqueness of the environments in which the profession operates, some terms are country specific. In addition to the suggestion contained above, national professional bodies should be encouraged to develop guidance on unclear or misleading terminology specific to their jurisdiction.</p>
50.	SAIPA	<p>There must be no intention to mislead. Currently the manner in which the question has been framed implies there is deliberate act to mislead. We agree that the standard should steer away from words that deter away from a factual finding report. There is a need to provide guidance on terminology that may be viewed as misleading or unclear.</p> <p>Would your views change if the AUP report is restricted to specific users? Our view remains the same even if the standard is for specific users.</p>
51.	SMPC	<p>In principle, we agree that unclear or misleading terminology should be avoided in AUP engagement reports, particularly terms associated with the provision of assurance services. However, in practice this may be problematical in certain situations. For example, a specifically worded standard report may be required by law, by a regulator, or other third party or user. This is particularly common in respect of funding granted to SMEs provided for a specific usage, where a deviation from the required wording of the report by the practitioner could result in the SME being denied funding.</p> <p>To address such situations, we agree with the Working Group that there is merit for ISRS 4400 requiring the practitioner to add text to define or describe unclear or potentially misleading terminology in the report, to ensure it is no longer unclear or misleading. Otherwise, we agree that ISRS 4400 should prohibit the use of unclear or misleading terminology, in general.</p> <p>The IESBA Code of Ethics for Professional Accountants prohibits professional accountants from being associated with misleading information. For instance, “a professional accountant shall not knowingly be associated with reports.....where the...information contains a...misleading statement” (para. 110.2).</p> <p>We believe that irrespective of whether a report is restricted or not, those legitimately receiving the report need to be clear as to the meaning of the words used, since the appropriate use of words relates to the nature of the engagement, not the reader. This requires a greater engagement with, and education of, users and those who request the procedures, about the nature of AUP engagements and the appropriate terminology that should be used.</p>
52.	WPK	<p>The intention to avoid unclear or misleading terminology in AUP reports is, in principle, to be welcomed. However, the practical implementation of such a prohibition as well as the creation of a beneficial guidance seems hardly possible. The decision about what terminology is unclear or misleading has to be done from a user’s point of view. Assumptions need to be made as to an</p>

		<p>appropriate level of user skill and experience. The circumstances of the individual engagement need to be taken into consideration. Non-native English speakers face the need for translation and have to cope with corresponding translation inaccuracies. Finally it is up to the engagement client to request clear and unmistakable terminology in the AUP report.</p>
<p>Individuals and Others</p>		
<p>53.</p>	<p>14000REGISTRY</p>	<p>One of the overriding requirements for a practitioner performing an AUP engagement should be that they will not be associated with false or misleading information. This would include unclear terminology or presentation of information or results that is designed to conceal or obscure certain facts or weaknesses.</p> <p>One of the attributes of a standard is to be able to provide clear and precise information on a set of requirements. In theory, optimal clarity for a broad range of readers is attained when common terms and definitions are used. However, every profession tends to develop terms with specific meaning, as they have contextual value. If specific terms and definitions are required, they should be clearly stated and included in the standard. Description should not be used to add to prescription.</p> <p>We recognize the important of avoiding misleading terminology and the lack of clarity in concepts. There are certain words that are of fundamental importance to the EMS AUP. For example, the term ‘certify’ carries special meaning in ISO standards and it is a term we vigorously avoid in connection with the EnviroReady Report (the marketing term for EMS AUP).</p> <p>The EnviroReady Report in the ISO sphere is a conformity assessment option categorized as a recognition scheme. It is not support an ‘EMS-lite’ approach, nor staged implementation of the standard; users have to meet all the requirements of ISO 14001.</p> <p>An articulation of the four conformity assessment options was led by Mexico in 2002, with unanimous support of the ISO committee responsible for the standard. The EnviroReady Report was the basis for the description of the third option (shown below in italics). ISO 14001 articulates four options for conformity assessment:</p> <p>“An organization that wishes to demonstrate conformity with this International Standard can do so by:</p> <ul style="list-style-type: none"> — making a self-determination and self-declaration, or — seeking confirmation of its conformance by parties having an interest in the organization, such as customers, or — seeking confirmation of its self-declaration by a party external to the organization, or — seeking certification/registration of its environmental management system by an external organization.” <p>Of note, some literature refers to ‘self-certify’ in relation to the first option, but that term is not acceptable to the stakeholders in ISO.</p> <p>As another example of the importance of terms can be shown in the fact that an organization implementing the EMS conforms to ISO 14001. As a requirement of its environmental policy, an organization must meet a commitment to fulfill its compliance obligations. Compliance obligations include legal requirements and other requirements to which the organization subscribes.</p> <p>As indicated in the most recent survey conducted by Edelman , there has been an implosion of trust. When transparency is the currency of trust, restricting disclosure seems counter-productive. However, disclosure should be managed with sensitivity and caution for several reasons. Information should be managed carefully so as not to increase the risk of the client in an era of growing</p>

		<p>information insecurity. Cybercrime is unfortunately big business, and small businesses are often not technologically able to deal with the consequences.</p> <p>It is also important to remember the culture of a small business, which is the primary target market for our application. Small business owners are prone to treat their business as their 'child', and they can be fiercely protective of information relating to it. Small business is not required to release financial data to anyone other than the appropriate tax department. While this application may be viewed from a marketing perspective; these sensitivities must be respected.</p>
54.	ANA	<p>Restrict the practitioner from giving any assurance in non-assurance engagements but allow conveying one’s conclusion to the user. A fundamental cause of confusion in ISRS 4400 is that in a non-assurance assignment the practitioner is called upon to carry out procedures of an audit nature and to report on the factual findings; and shifting the burden of drawing conclusions to the user. We recommend that this should not be the case. We agree that an audit-like opinion is not appropriate for the AUP reports. However, leaving aside the wordings akin to an audit opinion, the practitioner should be free to submit a conclusion supported by evidence and a professional judgement. Q4</p> <p>Consider renaming “International Standard on Related Services” as “International Standard on Non-assurance Services” and placing ISRS 4400 under it, for greater public understanding. Q4</p> <p>The title “International Standard for Related Services” is misleading; rename it as “International Standard on Non-Assurance Service”.</p> <p>As a rule, firstly classify a service as either assurance and non-assurance.</p> <p>A4.1 Restrict the practitioner from giving any assurance in non-assurance engagements but allow conveying one’s conclusion to the user. A fundamental cause of confusion in ISRS 4400 is that in a non-assurance assignment the practitioner is called upon to carry out procedures of an audit nature and to report on the factual findings; and shifting the burden of drawing conclusions to the user. We recommend that this should not be the case. We agree that an audit-like opinion is not appropriate for the AUP reports. However, leaving aside the wordings akin to an audit opinion, the practitioner should be free to submit a conclusion supported by evidence and a professional judgement.</p> <p>In Pakistan, our Institute (the National Standard Setter) issued circular 3 for guidance to the practitioners.</p> <p>The Working Group needs to acknowledge if it’s a guidance gap for the stakeholder and the practitioner on the specific subject matter mentioned in Enclosure 1.</p> <p>A stakeholder may compel the practitioner to use certain words and phrases as a part of terms of engagement which may be assigned a different meaning. In such cases, the report should reproduce the terms of engagement as its integral part.</p> <p>The specific terms in an audit opinion are meant for audit engagements only. However, these may be permitted for engagements under ISAS3000 for what is generally understood as audit may be special or a limited one.</p> <p>A4.2 No. For strengthening public confidence, the rule for usage of terms should be the same.</p>