

22 March 2017

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International Auditing and Assurance Standards Board
529 5th Avenue
New York
NY 10017
United States of America

Dear Sirs

Discussion Paper: Exploring the demand for Agreed Upon Procedures engagements and other services, and the implications for the IAASB's International Standards

We are pleased to respond to your request for comments on your Discussion Paper on Agreed Upon Procedures (AUP) engagements. We have responded to the questions posed in the Discussion Paper in turn below, but also have some overall observations.

The audit exemption limit in the United Kingdom has recently increased, and there is no requirement in the UK for companies that meet the audit exemption criteria to have any form of limited assurance review (except for certain public benefit entities). AUP engagements are, in our experience, currently most common where required by a grant giving body or other provider of funding. However, given the increase in the audit exemption limits we believe –as referred to in the Paper - that AUP engagements may well become more common in the future as entities look for alternative services to an audit, and the work the IAASB is doing in this area is therefore very important.

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.

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

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Our view is that professional judgement does have a role in an AUP engagement. However, we do not believe that professional judgement in an AUP engagement is necessarily limited to the exercise of professional competence and due care.

Even though no opinion or conclusion is being expressed, the accountant performing an AUP engagement may still need to exercise some judgement in determining what items to test even when the tests themselves, or the number of items to be tested, are prescribed (for instance by a grant giving body). Some judgement is also required when determining the level of detail into which the report on factual findings should go, and in some cases the wording to be used in the report. We would agree that the exercise of judgement in an AUP engagement is limited when compared to an assurance engagement, but nonetheless it is still present.

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

Yes, we believe it would be helpful for requirements relating to professional judgement to be included in the revised version of ISRS 4400.

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 that performing an AUP engagement should not necessarily preclude the practitioner from performing an assurance engagement for the same client. In the UK it is normal for AUP engagements in respect of grants or funding to be performed by the entity's auditor.

On balance we agree that the IAASB should not mandate the practitioner performing an AUP engagement to be independent of the entity on which the procedures are being performed, although in our opinion it is preferable that the practitioner should be independent. The existing statement in the report of factual findings where the practitioner is not independent should be retained.

4. 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?

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.

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

We agree that clarification would be useful and that preconditions for undertaking an AUP engagement on non-financial information – namely that the practitioner should have sufficient competence in the subject matter - should be included in the revised version of ISRS 4400. This is an area where we expect to see further growth in the future and it is therefore sensible for the IAASB to address it.

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

Not at this stage, although given this is an evolving area the IAASB should keep this under review.

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

We agree that enhancing ISRS 4400 to cover the use of experts in AUP engagements would be beneficial. Although in our experience experts have not been needed on AUP engagements we can see that there may be circumstances where use of an expert could be required and therefore a revised version of ISRS 4400 should take this into account.

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

In our opinion the form of the report – and specifically how detailed it needs to be – will depend on the scope of the AUP engagement. It would be helpful if more than one example report was included in the revised Standard – for instance one short form report and one more comprehensive report.

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 that a copy of the AUP report can be provided to a party that is not a signatory to the engagement letter as long as (a) the party understands the engagement and (b) suitable caveats are included in the report to ensure that reliance is not placed on the report inappropriately. This is relatively common in practice.

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

We agree with the Working Group that the third option – requiring the AUP report to include a statement to the effect that the report is intended solely for the specific users and may not be suitable for any other purposes – is the most appropriate. The first option is potentially too restrictive and the second option might make any restrictions on providing the report difficult to enforce in practice.

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

No, we believe the third option is appropriate.

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?

Yes, we agree that any recommendations arising from an AUP engagement should be clearly distinguished, and ideally presented in a separate document unless they are required to be included in the report (for instance by a regulator or grant-giving body).

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.

No, we believe that the proposals identify the areas where more clarity would be useful.

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?

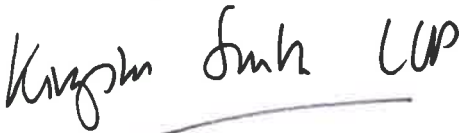
This is an emerging area where we can see that some form of guidance might ultimately be useful. However, we do not think that the revision of ISRS 4400 should be delayed in order to address multi-scope engagements.

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, we agree that AUP engagements should be the IAASB's priority.

We hope our comments are useful to you. If you have any questions, then please contact Tessa Park.

Yours faithfully



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