

ASSIREVI
Associazione Italiana Revisori Contabili

Al Presidente

IAASB
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017
USA

24 March 2017

IAASB Discussion Paper – Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards

Dear Sirs,

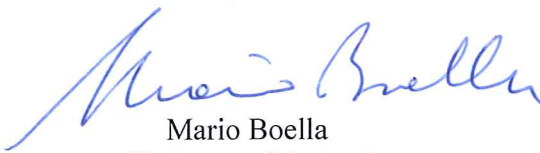
Assirevi is the association of Italian audit firms. Its member firms represent the majority of the audit firms under the oversight of CONSOB (*Commissione Nazionale per le Società e la Borsa*) and are responsible for the audit of almost all of the companies listed on the Italian stock exchange. Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for its members. It collaborates with Governmental bodies, CONSOB, the Italian accounting profession and other bodies in the development of auditing and accounting standards.

Assirevi is pleased to submit its comments on the Discussion Paper “Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards” issued by IAASB in November 2016.

Our detailed comments to the questions are set out in the attached document.

Should you wish to discuss our comments, please do not hesitate to contact us.

Yours faithfully,


Mario Boella
Chairman of Assirevi

COMMENTS ON THE IAASB DISCUSSION PAPER

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

(November 2016)

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

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?

In our view the role of professional judgment in an AUP engagement should be maintained within the boundaries of required professional competence and due care.

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

We believe that ISRS 4400 should not include requirements relating to professional judgment so avoiding users might assume that factual findings reported imply a certain degree of assurance.

The Independence of the Professional Accountant

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

Requiring practitioners to be independent would be unnecessarily restrictive. In our view, independence should not be required in an AUP engagement. However, the practitioner should be required to state in the report of factual findings where he or she is not independent.

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

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?

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.

AUP Engagements on Non-Financial Information

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?

We agree to the proposed approach (i.e.: requirements to accept an AUP engagement on non-financial information). In our view, the standard should include a guidance to address the assessment of certain pre-conditions relating to competence required to undertake an AUP engagement on non-financial information.

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

It might be necessary to clarify in the standard that the acceptance of an AUP engagement on non-financial information shall require the assessment of reasonable criteria. For this purpose, the future standard should develop appropriate guidance for the identification and assessment of the “reasonable criteria [...] on which to base findings”.

Using the Work of an Expert

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, we agree. However, the role of the expert should not be predominant in the context of the procedures performed. In addition, the standard should contain examples of appropriate terminology to address reporting of factual findings when a lawyer is involved. Such guidance could enable the practitioner to maintain professional judgment within an acceptable degree of professional competence and due care.

Format of the AUP Report

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

We believe that illustrative examples would be very useful. These improvements should be developed in conjunction with the introduction of a comprehensive guidance on terminology (see A4. above).

AUP Report Restrictions – To Whom the AUP Report Should be Restricted

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?

This approach should not be considered always appropriate for undefined or unrestricted users. In our view, as general standard the AUP report should not be provided to a party that is not a signatory to the engagement letter. We consider it appropriate for the Standard to include requirements for the practitioner to consider when a distribution to third parties is made, with reference to the circumstances, procedures and the extent to which the limitations in the scope

of work and resulting report can be understood by a user who was not party to the agreement of the procedures.

We acknowledge that in limited circumstances the provision of the AUP report to a party that is not a signatory to the engagement letter could be acceptable. This could be the case when the required procedures are clearly defined in the law or regulation and the required procedures comply with ISRS 4400.

In these cases we believe it is important to clarify the independence issues which could affect also the party that is not a signatory to the engagement letter.

AUP Report Restrictions – Three Possible Approaches to Restricting the AUP Report

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.

We believe that the first approach is the most appropriate. The third approach might generate the risk of an improper use of the report when the rules for the restriction to the circulation of the AUP report are not clearly defined. We acknowledge that the third approach might achieve an appropriate balance if it appears consistent with the legal framework in a specific jurisdiction. In our view, the second approach is inappropriate.

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

N/A

Recommendations Made in Conjunction with AUP Engagements

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?

We do not envisage how a practitioner could formulate a view on recommendations based on factual findings unassociated with professional judgment. In our view, the identification of potential recommendations might result misleading in the absence of assurance.

Other Issues relating to ISRS 4400

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.

Guidance on non-financial information AUP engagement.

Multi-Scope Engagements

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?

We would welcome guidance and best practice on the form of the report in circumstances where the practitioner provides assurance on a subject matter information and specific

procedures are performed and described in the report at the same time, without affecting – either extending or qualifying - the overall reasonable or limited assurance conclusion on the subject matter information as a whole. Therefore, we agree to the fundamental principle stated in the standard (“...the key characteristics of a multi-scope engagement is that the various elements of the engagement comply with the corresponding IAASB pronouncements.”)

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, we agree (see also A14. above). We believe the IAASB should focus its efforts on providing clarification and guidance on existing concepts and issues with AUPs engagements rather than focusing on developing new standards or projects which might have unintended effects. In our view, including additional requirements and other considerations in the Standard might increase the risk that there is little practical difference between AUP engagements and assurance engagements.

Milan, 24 March 2017