

7 March 2017

Professor Arnold Schilder  
Chairman  
International Auditing & Assurance Standards Board  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York  
NY 10017  
USA

Dear Professor Schilder

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

Crowe Horwath International is delighted to present a comment letter on *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards*. Crowe Horwath International is a leading global network of audit and advisory firms, with members in some 129 countries.

The Discussion Paper is an opportunity to initiate a discussion with stakeholders about the name and scope of Agreed-Upon Procedures (“AUP”). IAASB’s current standards and guidance on AUP engagements are dated and do not necessarily reflect neither the current range of AUP engagements nor the way that these engagements are performed. New standards and guidance would be welcome, and relevant at a time when the range of assurance services being delivered by auditors is potentially wider than ever. IAASB has to be open the broad range of engagements that could involve the application of AUP.

Our responses to the questions in the Discussion Paper are given in the Appendix to this letter. We particularly draw attention to the following:

- Professional judgment has a role in an AUP engagement;
- In most AUP engagements the practitioner should be independent;
- IAASB has to consider AUP engagements involving non-financial information;
- Standards have to include reliance on an expert;
- The Working Group’s thinking on reporting appears appropriate; and
- The proposed improvements to ISRS 4400 appear right.

We trust that our comments assist the IAASB in its standard setting activities. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty". The signature is written in a cursive style with a large initial "D" and a long, sweeping tail.

David Chitty  
International Accounting and Audit Director

**Appendix – Crowe Horwath International response to IAASB Discussion Paper *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards***

| Question   | Response  |
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| <b>The Role of Professional Judgment and Professional Skepticism in an AUP Engagement</b>  |   |
| 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? | <p>We agree that:</p> <ul style="list-style-type: none"> <li>• Professional judgment has a role in an AUP engagement; and</li> <li>• Findings should be objectively verifiable and factual.</li> </ul>  |
| Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?  | <p>The revised ISRS 4400 should include requirements relating to professional judgment. Any professional engagement requires the exercise of judgment. The revised ISRS could address the “degree of judgment” that has to be exercised, but judgment cannot be ignored.</p>  |
| <b>The Independence of the Professional Accountant</b>   |   |
| Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?  | <p>In most cases, there should be an expectation that the practitioner performing an AUP engagement is independent. In situations where the AUP report is prepared for a small group of specific users, then formal independence can be deemed to be less of an issue. However, in these cases the AUP report should disclose that the practitioner is not independent.</p> |
| <b>Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report</b>  |   |

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| <p>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?</p>         | <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> |
| <p><b>AUP Engagements on Non-Financial Information</b></p>  |  |
| <p>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?</p> | <p>We agree that the scope of ISRS 4400 should be broadened to include non-financial information. There should be pre-conditions relating to competence.</p>   |
| <p>Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?</p>  | <p>More generally, as noted in paragraph 29, reporting (in the broadest sense) on non-financial information is an increasing activity. It is impossible to specify all situations that might be required now, or in the future, but as with IAASB’s consultation on EER, IAASB has the opportunity to set the standard for reporting (in the broadest sense) on non-financial information. IAASB may wish to discuss assurance / reporting / AUP on non-financial information further with its stakeholders.</p>   |
| <p><b>Using the Work of an Expert</b></p>   |  |
| <p>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?</p>  | <p>ISRS 4400 should be enhanced to addressing using the work of an expert.</p> <p>As noted in the paper, greater use is being made of experts and this is likely to increase due to the growth of non-financial reporting. The ISRS has to</p>   |

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|  | make reference to professional competence and due care.   |
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| <b>Format of the AUP Report</b>  |   |
| <p>Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?</p> <p>We would be particularly interested in receiving Illustrative reports that you believe communicate factual findings well.</p> | Presenting the report in a way that more clearly communicates the procedures applied and the corresponding findings is sensible. We agree with the proposed improvements.   |
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| <b>AUP Report Restrictions – To Whom the AUP Report Should be Restricted</b>   |   |
| <p>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?</p>       | In practice, non-signatories to the engagement letter require reports. A revised ISRS has to acknowledge this. We agree with the proposed approach.   |
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| <b>AUP Report Restrictions – Three Possible Approaches to Restricting the AUP Report</b>   |   |
| <p>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.</p>  | We consider the third approach to be the most appropriate. This approach tries to achieve a balance. The statement about report being intended solely for specific users is consistent with other reports, has risk management benefits, and is appropriate for managing legal liability. |
| <p>Q11. Are there any other approaches that the Working Group should consider?</p>   | We have nothing to add.   |
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| <b>Recommendations Made in Conjunction with AUP Engagements</b>  |   |

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| <p>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?</p>  | <p>We agree that recommendations should be clearly distinguished from procedures and factual findings.</p> <p>Recommendations are separate from the specific finding, and should be treated as such.</p>   |
| <p><b>Other Issues relating to ISRS 4400</b></p>   |  |
| <p>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.</p>  | <p>The Working Group has prepared a set of proposed improvements that make ISRS 4400 “fit for purpose” and reflect how AUP engagements have evolved. We have no further improvements to add.</p>   |
| <p><b>Multi-Scope Engagements</b></p>  |  |
| <p>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?</p>   | <p>Multi-scope engagements will have to be addressed. Because these may come in many different forms and will often be jurisdiction specific then general guidance may be the solution.</p> <p>The general guidance could cover the areas included in ISRS 4400 as matters such as independence, terminology, report formats and report restrictions will arise.</p> |
| <p>Q15. Do you agree with the Working Group’s view that it should address issues within AUP engagements before it addresses multi-scope engagements?</p> <p>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.</p> | <p>Issues relating to AUP engagements should be addressed first.</p>   |