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24 March 2017

Mr. Matt Waldron  
Technical Director  
International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York  
10017 USA

Dear Matt

**COMMENTS ON DISCUSSION PAPER, EXPLORING THE DEMAND FOR AGREED-UPON PROCEDURES ENGAGEMENTS AND OTHER SERVICES, AND THE IMPLICATIONS FOR THE IAASB'S INTERNATIONAL STANDARDS.**

The South African Institute of Professional Accountants (SAIPA) would like to thank the International Auditing and Assurance Standards Board (IAASB) for the opportunity to provide comments on exploring the demand for agreed upon procedures engagement and other services, and the implications for the IAASB's international Standards.

SAIPA is one of the leading accountancy institutes representing qualified professional accountants in practice, industry, commerce, government, academia and the public sector. The Institute's focus is on the advancement of Professional Accountants in South Africa to assist in meeting the changing needs of the accountancy profession in all facets of business and finance. Through innovative services and solutions, SAIPA responds effectively to emerging trends and positively impacts on our economy.

In collating responses for our comment letter, SAIPA held discussions with its Education Committee as well as the Technical Committees. We also engaged members at their regional forums and solicited their views on the discussion paper presented. The comment letter attached is the summary from these engagements.

We trust that our submission will receive your favourable consideration.

Should you require any further information or wish to discuss our comments in more detail, the writer can be contacted on:

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Kind Regards

Faith Ngwenya

Technical and Standards Executive



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## Overview of Questions for Stakeholder Input

The following questions for respondents relate to the matters set out in this Discussion Paper, and also appear following the relevant discussion in this document. The Working Group welcome responses to any or all of these questions. Responses will be most helpful when they clearly indicate to which question the response relates and articulate respondents' rationale for their views.

*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?*

There was common agreement by SAIPA committee members that there is an expectation that the professional judgment is exercised in an AUP. However this applies to a limited extent the principle of professional competence as contained in the general principles paragraph 7(c) of ISRS4400 is sufficient as well as 7(f) Technical competence. We believe that reference to professional judgement and professional skepticism will lead to unintended expectations by the users of the AUP factual findings report expecting that audit or review like procedures have been carried out even though the report indicates that none were done. It is important that the standard which becomes the basis of the procedures carried out and reported upon clearly indicates that these are factual findings and nothing more. There is an inherent professional judgement and does not have to be proved. The burden of verifying factual findings can sometimes be very difficult hence the technical competence becoming very important.

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

SAIPA's view is that there should be no reference to professional judgement in order to avoid any unintended consequences on the reliance of the AUP report.

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

There were mixed views on whether the practitioner accepting an AUP must be independent. The overall view however was not in agreement with the requirement

that a practitioner taking on an AUP must be independent except where other standards or legislation requires it. It is based on this that we recommend that the standard should not compel the practitioner to be independent simply because an engagement is AUP. SAIPA is in agreement with the Working Group's view on paragraph 21 that the declaration in the report on a relationship the practitioner has, will strike the right balance.

**Q4. *What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology means?***

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.

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.

**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? Rather define information.***

The current reference to the standard relating to financial information makes it difficult for practitioners to take up engagements where the AUP is for non-financial information as it is not clear if the standard can be used in such engagements. SAIPA recommends that reference to "financial" is removed altogether from the title of the standard. The standard should be titled Engagement to perform agreed upon procedures. More and more AUP engagements involve non-financial assignments and if the standard refers to financial information this implies that where a professional accountant has been engaged to for a non-financial engagement the standard will not be applicable. It is our view that the detail of the scope of work in the report will clearly indicate what was the agreed upon procedure i.e. if it was financial or non-financial.

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

By allowing the scope of work to clarify what procedures were agreed upon there will be no need for this to be outlined in the standard as the standard will be referring to "information" without any specific descriptor.

**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?***

SAIPA agrees with the Working Group that there should be a requirement in the standard for the professional accountant where an expert has been used to:

- Determine whether the nature, timing and extent of procedures performed by the expert is consistent with the procedures agreed in the terms of engagement; and
- Determine whether the factual findings reported by the expert adequately describe the result of the procedures performed.

The standard in its current form was unclear on whether experts may be used and their work relied upon in the performance of an AUP, clarity in this area will be appreciated.

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

SAIPA is happy with the illustrative report in Appendix 2, the only enhancement will be where the work of an expert has been relied upon where the report should cover the nature; timing and extent of the procedures of the expert. SAIPA has developed AUP reports as part of the members' working papers and members choose whether they use the illustrative example as is or use the SAIPA developed report. The report that is part of SAIPA's working papers is not too different from Appendix 2.

**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?**

SAIPA agrees with the working Group that the report could be made available to persons that are not signatories, the scope of work paragraph will cover the practitioner in clarifying what the agreed upon procedures were. The contents of the report on the purpose of the AUP; nature and extent of the procedures performed; the analysis of the factual findings as well as the statement that the procedures performed did not constitute a review or an audit should be sufficient to inform the non-signatory user of the AUP report on what the report is about. SAIPA also find the following extracted from the illustrative report to cover the practitioner from any unintended risk: "Our report is solely for the purpose set forth in the first paragraph of this 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.**

As per our response to Q9 above flexibility should be made for the practitioner to use a disclaimer. Option C is preferred and we are in agreement with the format as contained in ISA800. We are however concerned with the statement in option C "and

may not be suitable for any other purposes” SAIPA recommends that the Working Group considers rephrasing this statement.

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

In our view option C covers the use of the report and offers sufficient protection to the practitioner.

**Q12. Do you agree with the Working Group’s view that recommendations should be clearly distinguished from the procedures and factual findings? The AUP reports on factual findings and therefore SAIPA does not agree on recommendations being made. If there is a need for such the scope of work should clearly indicate right at the onset that purpose of the engagement is to make recommendations.**

Why or why not? Inclusion of recommendations may be interpreted as an opinion or conclusion. In the event that the recommendations are included as part of the report or reporting back to management, clear guidelines must be provided.

**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.**

The objective of the standard indicates that it is for the auditor SAIPA recommends that any reference to an auditor be replaced with “professional accountant” as the AUP engagement extends beyond an auditor and a professional accountant in practice or in business who may not be an auditor is engaged on such. The limitation to the standard to auditors restricts its wider use.

**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?**

It's important to specify what is in the engagement. It will be good to have non-authoritative guidance on the AUP engagements. SAIPA however is not convinced that this should be the responsibility of the IAASB the other IFAC committees can develop such guidance.

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

SAIPA’s view is that multi-scope engagements guidance notes should be dealt with either as interpretative notes or be left to the other committee structures to deal with. There must be a clear distinction on the work of the Board and the relevant



committees. We see the guidance being a priority but not on the IAASB's work schedule.

“ END OF SUBMISSION ”

