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The Technical Director,
International Auditing and Assurance Standards Board
New York

Dear Sir,

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

Thank you for giving us the opportunity to comment on your draft on "Exploring the Demand for Agreed Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards". We submit herewith our comments and proposal for your perusal.

General comments

We appreciate the opportunity given to us to add our voice to the IAASB's upcoming guidance on Agreed Upon Procedures (AUP) Engagements and other services. We acknowledge the importance of such guidance in the increased demand for Agreed Upon Procedures by entities, investors etc. who will need AUP reports for various purposes. Whiles we agree that such a guidance will be important we have the following comments. Our comments are based on the questions raised in the discussion paper.

Firstly, while it is imperative that professional judgement and due care should be exercised, we advise that care should be exercised in concluding that the findings of an AUP report should be objective and not subjective. We raise this concern that many entities will come up with issues and expect the practitioner would take decisions for management of entities. The reason is that, where management are in a fix on making a decision, they will call on the professional entity to decide for them.

Secondly, ISRS 4400 should include requirements relating to professional judgement, in our view we do not foresee any unintended consequences. This is because the exercise of professional judgement will be guided by the code of ethics. In addition, for the practitioner to be objective as it is to be the situation in the findings, the practitioner's independence should not be impaired. Even if the AUP report is restricted to specific users, the practitioner should maintain his independence.

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.

We add that, because AUPs do not always address financial matters, it becomes expedient that ISRS 4400 provides a clarity on the scope to include non-financial services. With regards to the fact that some of the AUP engagements are/will be non-financial in nature, it is important the practitioner will have the required technical knowledge and skill to perform the Engagement successfully. Hence we welcome the idea that a pre-condition of competence is included in ISRS 4400.

Though we need the pre-condition of competence in the ISRS, the practitioner will not necessarily have adequate knowledge of a particular AUP engagement. There will be a need for experts to be engaged in addition to the practitioner, in this case it becomes important and we agree that the ISRS 4400 should be enhanced for the use of experts in the AUP engagement. Also for the purpose of mitigating risks in the use of AUP report, we are of the view that, the AUP report should be solely for the use of the signors of the AUP agreement.

Finally we conclude on our comments by saying that, the main purpose of the AUP has to do with the factual findings on what the problems are. If problems are identified without possible solutions, work does not seem complete. We are of the view that, the best person who identifies a problem best understands the problem and can identify potential solutions to the problem. Therefore we are of the view that, the AUP report should make recommendations which are clearly distinguished from the factual findings.

Presented below are our responses or comments to specific questions asked:

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?

A1. Yes, we believe that professional judgment should be used in ensuring objective compliance in cases of ambiguity. An AUP engagements should result in objectively verifiable factual findings and not subjective opinions or conclusions. Professional judgment should therefore be seen in the context of professional competence and due care for AUP engagements.

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

A2. No, we think the current references to professional competence and due care appear to cover professional judgment. Exercising professional judgment will result in an opinion or conclusion, which is not what an AUP seeks to achieve. The trend is to move towards a more principles based approach and therefore the requirement to comply with IESBA's code of ethics for professional accountants which includes a number of standards including the exercise of professional competence and due care seem sufficient. The exercise of these results in professional judgment. We do not think spelling out certain requirements would be a good idea as there is the potential for individuals to pick and choose. The IESBA does a good job of spelling out in detail the examples and requirements accountants are to follow. We are however amenable to including in the introduction of the revised AUP standard, a reference to the fact that professional judgment is covered in professional competence and due care in IESBA.

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

A3. We believe that practitioner independence is important for AUP engagements. Auditor independence adds a degree of objectivity and for AUP engagements this is quite frequently viewed as an objective type of engagement. Our view does not change with the restriction, as users of the report may not take into account, disclaimers put in the opinion, and will in all probability assume the independence of the accountant. Independence should not ordinarily prevent a practitioner from performing an AUP engagement. However, where users are specified, we may want to consider independence issues because the risk profile might be impacted.

Q4. 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?

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.

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?

A5. We agree with this clarification. As the intent of the clarification is to convey information (both non-financial and financial), and the auditor's report is expected to be based on professional competence and due care, it is only logical that the auditor should be qualified or at least have sufficient technical expertise/skill and/or knowledge on the theme to be in a position to deliver to the client. It is a good idea to establish minimum levels of competence for accountants to achieve before taking on such engagements. This will foster compliance of accountants with due standards of quality on such AUP engagements. In order not to expose the AUP engagements to the possibilities of judgments and inability to objectively verify the results, the ISRS 4400 should not include non-financial information.

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

A6. No.

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?

A7. We agree with the documented enhancements as presented by the views of the Working Group, as they go to improve the quality of the engagement by ensuring that both the client and the accountant/expert are on the same page and that potential objectivity, technical competence and independence, are dealt with from the onset. The use of an expert should be considered.

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

A8. We agree with the Working Group's suggestions of a framework for the illustrative report as a guide. The current illustrative report does seem to be limited. The report should be enhanced. Also consider including an engagement letter template.

We would be particularly interested in receiving Illustrative reports that you believe communicate factual findings well.

Noted.

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?

A9. We agree that the report can be provided to a party not a signatory to the engagement letter. We however, do not think that this needs to be written into the report language. Given the risk of litigation that always exist we are comfortable with the current arrangement whereby the accountant's liability is to the signatory of the engagement letter. To open it otherwise will be detrimental to the profession as all it will take is one lawsuit from a non-engagement letter signing party to have a potential chilling effect on other accountants.

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.

A10. We are comfortable with the third approach (similar to ISA 800). We do not believe the other two are appropriate as in the first approach (i) an additional requirement is placed on the accountant to monitor who will receive the report and therefore where potential liability will come from. This we believe is unnecessary risk to take on. The accountant should focus on the engagement and not have to worry about risk. In the second approach (ii) with the complete absence of guidance/restriction could lead to a plethora of lawsuits where some inexperienced accountants could fall into significant risks also affecting the profession.

Once again, the third approach restricting the report solely for the specific users would reduce risk/ambiguity and leave the distribution of the report to the owners (signatories to the engagement letter).

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

A11. We don't have any issues in mind.

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?

A12. We very strongly agree that there should be a clear distinction between recommendations and procedures/factual findings. In order to reduce the potential for mis-interpretation of recommendations as being part of procedures, these need to be clearly separated. This is because the recommendations will be the by-product of the actual work.

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.

A13. None come to mind.

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?

A14. We agree that all engagements need to be considered. Multi-scope engagements have additional components that are not addressed by the current draft and given the vast variety

and complexity of assignments/engagements, additional guidance can only help in the quality and consistency of such engagements. A non-authoritative guidance will be useful.

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

A15. Yes. Single scope engagements issues need to be flushed out first before considering more complex ones.

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.

We do not have any suggestions on the nature of guidance on multi-scope engagements nor any examples of multi-scope engagements at the moment.

We hope the IAASB finds this letter helpful in further developing its proposals to change certain provisions of the ISAs. In turn, we are committed to helping the IAASB in whatever way possible to build upon the results of this Exposure Draft. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours sincerely,


Augustine Addo

(Ag. Chief Executive Officer)