

Prof. Arnold SCHILDER
Chairman IAASB

Posted as comment on:
www.ifac.org

30 March 2017

Dear Mr. Schilder,

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

The *Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren* ("IRE-IBR") is pleased to have the opportunity to provide 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.

IRE-IBR welcomes the initiative of the IAASB to explore this topic. An agreed-upon procedures engagement is a good option for a wide range of entities but in particular for SMEs, for whom the added value of this type of engagement lies in an objective verification of data. Because of the added value such an engagement can provide, we encourage the IAASB to consider options to make agreed-upon procedures reports available to external parties in certain circumstances.

Overall, we would like to point out that agreed-upon procedures is often perceived, both by stakeholders as by clients, as providing "some" assurance or "some" judgment. We therefore stress the need for the IAASB in its outreach efforts to stakeholders to clarify the difference between the different types of engagements that can be performed under the IAASB standards. Additional guidance on the type of wording that needs to be avoided to reduce the risk of misunderstanding as to the scope of the practitioner's report could also be helpful. In our view, IAASB has an important role to play in helping different types of stakeholders (regulators, clients, NSS, government bodies) to understand the different types of engagements that can be performed under the IAASB standards and the way they interact.

Conversely, we believe it to be important to look at the wording of the AUP report to ensure that it does not diminish the value of the engagement.

Please find below our more detailed comments.

Sincerely,


Thierry DUPONT
President

Discussion Paper
November 2016
Comments Due: March 29, 2017

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

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?

Yes, we believe professional competence and due care have a role both in client and engagement acceptance as in advising the entity on the nature, extent and timing of the procedures to be performed and in avoiding misleading wording while being very clear and precise in the description of the procedures and findings. We do not believe professional judgment should be used in the performance of the engagement itself nor in formulating the conclusion. Also, we believe there is no duty of care with regard to third parties.

In our view, the practitioner should indeed use its professional judgment in assessing whether he or she has the appropriate competence and resources to perform the AUP engagement and in assessing if the procedures agreed upon or the way the findings are reported could lead the reader of the AUP report to draw an incorrect, incomplete or misleading conclusion.

We are not in favor of multi-scope engagements, as this could be confusing. In an AUP-engagement, we do not believe a practitioner should be given the possibility to give an interpretation in making a statement on certain aspects/parts of the outcome.

As to the issue of professional skepticism, we do not believe that professional skepticism should be included in ISRS 4400 other than through the practitioner's exercise of due care. However, additional guidance as to how to properly react to certain findings (fraud, illegal acts, etc.) would be helpful as these aspects are not addressed in detail in the current standard.

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

As indicated in our answer to question 1, we do not believe that professional judgment should be discussed in any way in the standard. Only professional competence and due care are to be required.

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

We believe it to be important to require the practitioner to be independent as it would enhance the value of the AUP report to the receiving parties.

This does not depend on whether the AUP report is restricted to specific users, or not, in our view.

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?

This point is very crucial to us. The clarity of the wording of the procedures is of paramount importance not only for the reader's understanding of what the procedures are about but also for the practitioner to be very clear on what it is he or she is supposed to perform. Providing examples of prohibited unclear or misleading terminology would be helpful, in the guidance section. We would also welcome additional guidance to address the situation where the use of unclear or misleading terminology is required by law or regulation, such as for example requiring the practitioner explains in his report how the terms required by law or regulation interact with the technical terms used in the report.

This does not depend on whether the AUP report is restricted to specific users, or not, in our view.

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?

There is an increasing use of ISRS 4400 on non-financial information, and we believe the performance of AUP by an independent practitioner would also enhance the value of non-financial information. Therefore, we agree that the scope of ISRS 4400 should include non-financial information. In our view, the competence to undertake an AUP engagement on non-financial information is embedded in the principle of competence and due care that the practitioner should apply to AUP engagements.

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

We do not see any other matters to raise in this respect..

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?

We do not see a need for inclusion of additional requirements related to the use of experts in AUP engagements as this is addressed by the duty of due care..

Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report? (We would be particularly interested in receiving illustrative reports that you believe communicate factual findings well.)

We suggest the short-form AUP report could be enhanced by present each procedure and corresponding finding together.

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?

We are in favor of making the AUP report open to parties that have not signed the engagement letter as there is clearly a need for such report and in many instances, the receiving party would not be in a position to sign the engagement letter. While we appreciate the risk of misinterpreting the scope of the practitioner's work and findings, we believe that this could be overcome by appropriate language in the AUP report. We believe that making an individual assessment as to whether the receiving party has a clear understanding of the AUP and conditions of the engagement will be impractical. Also, with respect to this matter, we would like to point out that there is no duty of care with regard to third parties.

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.

In our view, the third approach strikes the right balance, being flexible considering the restrictions that might be imposed by laws and regulations in each jurisdiction.

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

We have not identified any other approach for the Working Group to consider.

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 believe that recommendations should not be part of an ISRS 4400 type of report.

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.

We do not see any other areas in ISRS 4400 that need to be improved. We believe the issues identified by the Working Group are the most important ones.

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 believe multi-scope engagements should be addressed separately from the ISRS 4400 project.

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

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