

29 March 2017

The Technical Director
IAASB Technical Director

Dear Sir/Madam

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

In response to your request for comments on **Discussion Paper “ Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards”**, attached is the comment letter prepared by the Institute of Chartered Accountants of Zimbabwe. The comment letter is a result of deliberations of the Auditing and Professional Standards Committee (APSC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

M De Beer (KPMG)
Chairperson of the APSC

Anesu Daka (CAA)
Project Director

Cc: Matthews Kunaka (ICAZ C.E.O)

ICAZ COMMENT LETTER

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

SPECIFIC COMMENTS

Question 1

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?

RESPONSE

Yes, this is consistent with our views on the role of professional judgment in an AUP engagement.

The areas in which the practitioner exercises professional judgement clearly differ in an AUP engagement, and assurance engagement. In an assurance engagement, they make decisions regarding materiality, audit risk focus, timing and extent of auditing procedures etc, requiring professional judgement. In an AUP engagement, the practitioner will still be required to make professional judgements during the planning phase of the engagement for example when considering the procedures to be performed in order to report on the outcome of the AUP’s. In an AUP engagement, due to the nature of the engagement, procedures that are agreed upon should be performed so that a clear statement of findings can be reached. The practitioner will not need to make further professional judgements in interpreting the outcome once the agreed upon procedures have been performed and findings reported.

Question 2

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

RESPONSE

Yes, the revised ISRS 4400 should include requirements relating to professional judgment. However, these should be limited to the practitioner’s exercise in the context of professional competence and due care.

Possible unintended consequences could be the creation of an expectation gap between the user of the AUP report and the actual professional judgement exercised by the practitioner. Users of the AUP report could perceive that the practitioner used more professional judgment than what is required of an AUP engagement.

We do not see merit in requiring the practitioner to exercise professional judgment in conducting an AUP engagement, similar to the approach taken in ISRS 4410. The compilation engagement requires the practitioner to exercise professional judgement throughout the performance of the compilation engagement. As discussed in question 1 the AUP engagement does not require the practitioner to exercise professional scepticism to such a great extent.

Question 3

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

RESPONSE

Independence is integral in providing credibility to work performed by the practitioner and the AUP report. The users of the AUP report will obtain the necessary confidence that the practitioner acted objectively. This ensures that the practitioner does not have compromised their professional judgment because of bias, conflict of interest or the undue influence of others in both appearance and mind.

Our views would not change if the AUP report is restricted to specific users.

Question 4

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?

RESPONSE

We are in agreement with the working group that a prohibition on unclear or misleading terminology with related guidance regarding what unclear or misleading terminology could mean should be included in the revised ISRS 4400. This would provide clarity and will result in consistency in the wording of AUP reports. The use of terminology such as “we certify” or “present fairly” are likely to mislead the reader’s understanding of the nature and the extent of the work performed.

Our views would not change if the AUP report is restricted to specific users.

Question 5

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 definitely is need to address market demand for AUP engagements on non-financial information. Providing specific guidance relating to non-financial information in ISRS 4400 reduces the risk that such engagements will be accepted by practitioners that lack the competence or skills in the subject matter.

Question 6

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

RESPONSE

ISRS 4400 currently provides procedures to be applied in an AUP engagement. It should possibly be considered whether these procedures provided will still be sufficient and appropriate for an AUP engagement for non-financial information, for example AUP engagements on internal controls.

Question 7

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?

RESPONSE

We agree with the Working Group's views that ISRS 4400 should be enhanced, for the use of experts in AUP engagements. The use of an independent and competent expert will assist in ensuring that the practitioner meets the professional competence and due care, by providing the required technical expertise.

Question 8

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

RESPONSE

We agree with the Working Group's suggestions for improvements to the illustrative AUP report. The report is more useful to users if it facilitates better communication. Providing

more illustrative AUP reports in ISRS 4400 will assist the practitioner in using a report which meets the requirements for an AUP report and best suits their specific engagement.

Question 9

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?

RESPONSE

In practice the practitioner may not be able to discuss the procedures with all the parties who will receive the report such as a regulator requiring a AUP report. We therefore agree that the AUP can be provided to a party that is not signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement.

Question 10

In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.

RESPONSE

In our view the first approach mitigates the risk of unintended users misinterpreting the AUP report. However, it would not be appropriate if the AUP report is required to be widely distributed by law or regulation of the particular jurisdiction.

The second approach of allowing more flexibility, would lead to a greater risk that the report is distributed and used by parties who have not agreed to the procedures and could misinterpret the results.

The third approach proposed by the Working Group is more appropriate for the purposes of AUP engagement, as it provides a balance by addressing the concern regarding unintended parties misinterpreting findings while allowing the AUP report to be made more widely available.

Question 11

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

RESPONSE

In our view there are no other approaches that the Working Group should consider.

Question 12

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?

RESPONSE

Yes- we agree with the Working Group's view that recommendations should be clearly distinguished from the procedures and factual findings in an AUP report. The provision of recommendations does not form part of a report on factual findings as recommendations are of a subjective nature rather than factual. Recommendations provided by the practitioner are based on professional judgement, therefore should be clearly distinguished from the factual findings, and provided in a separate report with an appropriate disclaimer where necessary.

Question 13

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.

RESPONSE

We propose that ISRS 4400 includes a requirement for the engaging party to provide written representations addressed to the practitioner. It would be of great importance that the engaging party acknowledges, in writing their responsibility for the subject matter, the selection of the procedures performed, and determining the appropriateness of the procedures selected for the engaging party's purposes.

Question 14

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?

RESPONSE

Our view is that IAASB needs to address multi-scope engagements given that the need for this type of engagement is increasing in the market. The profession's relevance is partly assessed by its response to the evolving market needs. We are of the view that the different components of a multi-scope engagements can be identified by the practitioner, therefore non-authoritative guidance would be most appropriate. If there is need the practitioner can refer to the already existing authoritative guidance for each component of the multi-scope engagement.

Question 15

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

RESPONSE

We agree with the Working Group's view, that an update of ISRS 4400 is necessary as a priority and needs to be addressed before potentially developing guidance on multi-scope engagements. If there is still need to address multi-scope engagements after the revised ISRS 4400 the Working Group can then develop the guidance.