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Professor Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York NY 10017
United States of America

30 March 2017

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

Dear Professor Schilder,

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IAASB's Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards*.

Overall, we support the proposals in the Discussion Paper as they would provide greater guidance and clarity for practitioners and users alike.

Our comments and detailed responses to the questions set out in the Discussion Paper are detailed hereafter.

We would be pleased to respond to any questions the Board or its staff may have about any of our comments.

Please do not hesitate to contact me or Steve Whitcher at +44 207 601 1080.

Yours sincerely,

James F. Morton
Chair – Transnational Assurance Services Executive Committee
RSM International

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RESPONSES TO SPECIFIC QUESTIONS

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 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?

We agree with the view that professional judgement has a role to play in a practitioner's determination of whether to accept or continue, and how to perform, the procedures an AUP engagement. All practitioners should uphold the reputation of the profession, their firm and themselves as individuals by acting with professional competence and due care. They should not therefore be associated with assignments which might compromise these principles and should avoid situations such as those set out in paragraph 12 of the discussion document.

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

While a discussion in the introductory section of a revised AUP standard explicitly linking the concepts of professional judgment included in the IESBA Code to the performance of AUP engagements would be useful, we do not believe that further requirements relating to professional judgement should be included in the revised standard.

Beyond the linking between a revised AUP standard and the IESBA Code discussed in the preceding paragraph, adding additional requirements pertaining to the use of professional judgment in a revised AUP standard may very well lead practitioners to believing that professional judgment could be used in determining whether factual results were reported. However, we believe that a central tenet of an AUP engagement is for the practitioner to report all factual findings and results, without using a lens such as professional judgment.

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

In our view, the desire for the practitioner to be independent of the entity should be driven by the needs of the user.

In the case of a regulatory or government body, there might be an expectation that the practitioner is independent of the entity because they want the work carried out by someone whose objectivity is not compromised by other business relationships with that entity.

However, there are cases where an entity commissions an AUP report for its own internal purposes and therefore is fully aware of any relationships which might impinge on the independence of the practitioner.

Where the practitioner is not independent, the users of the report, who may not be the entity's management, should be made aware of the fact because it may be relevant to their evaluation of the report. We therefore agree with the Working Group's approach which is to retain the current requirement to make a statement in the AUP report when the practitioner is not independent of the entity.

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?

We agree that unclear or misleading terminology can cause confusion in AUP engagements and often results in an expectation gap between what the user thinks has been done and the actual procedures carried out by the practitioner. It is therefore critical to meeting the objectives of an AUP engagement that both sides use precise wording from the outset.

It would be useful to have guidance in the standard regarding unclear language, together with the rationale behind those views. Additionally, it would be helpful to have guidance in the standard to illustrate how a practitioner can explain or bridge from unclear language that is required by regulation to appropriate terminology. However, we do not think that, given the wide spectrum of these reports, that an outright ban on certain phraseology would be appropriate.

Restricting the AUP report to specific users will not, in our view, change this position because unclear terminology may still cause confusion.

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?

See response to Q6 please.

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

We welcome the proposal to clarify that the scope of ISRS 4400 includes non-financial information. Practitioners are facing increasing requests to report on non-financial information and therefore an explicit reference to this type of report would be useful.

The criteria alluded to in paragraph 30 of the Discussion Paper are directed toward financial information, but we agree that, with appropriate competence of the practitioner in the non-financial subject matter, the principles in ISRS 4400 could well be used by practitioners in performing AUP engagements over non-financial information.

In terms of other matters, providing a precise description of the particular non-financial information upon which the practitioner is reporting is important and they should be reminded of this (per Q4 above).

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 agree that the principles of ISA 620, suitably adapted for AUP engagements, should be included in the revised ISRS 4400. Given the varied nature of AUP engagements, practitioners sometimes need the services of an expert in order to assist in the more specialised areas of the work.

However, the revised standard should confirm that, despite using an expert, the practitioner remains responsible for the completion of the AUP engagement, including the final report on factual findings, and cannot simply delegate part of that responsibility to the expert. The revised standard should therefore include the requirement for the practitioner to possess sufficient competence to review and challenge the expert's work as part of their own work.

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

It is useful to provide illustrative reports to help practitioners, especially with the paragraphs that are common to all AUP engagements. However, due to the wide variety of subject matter, we believe that the guidance should not be overly prescriptive.

We encourage the inclusion of different formats of reports as suggested, including tabular with procedures and findings together. Our view is that the decision on the layout of the report should remain with the practitioner who, in turn, should be encouraged to use the most appropriate format for the users of the report.

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?

Assuming that provision of the report to a party that is not a signatory to the engagement letter is made by the practitioner, yes, we agree. If, however, the AUP report is provided to a party that is not a signatory to the engagement letter by a specified party, then of course the practitioner may not even be aware of this circumstance and the standard should clearly indicate that the practitioner has no further responsibilities in this context. The practitioner can specify users of the report but cannot control distribution of the report by parties other than the practitioner.

Ideally this would all be agreed as part of the acceptance process but we recognise that this may not always be possible since other parties may request a copy of the report at a later stage or even after its completion. Guidance for practitioners on steps which they should undertake in situations where parties are added later would be useful.

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.

We agree that the approach in paragraph 44(c) is the most appropriate as it represents a reasonable balance between clarity for all parties and the management of the practitioner's risk. The link to ISA 800 is useful in this respect.

The approach in paragraph 44(b) does not, in our view, address the issue in a way which safeguards the interests of both the user and the practitioner because it could result in inconsistencies between reports both among and within firms.

The option in paragraph 44(a) is similar to the approach discussed under Q9 above and may be useful in practice but we consider that it is hard to mandate it as a pre-condition of acceptance without some allowance for a later change of circumstances or users that might be acceptable to the practitioner.

Q11: Are there any other approaches that the working group should consider?

We have no other suggestions.

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?

An AUP report is a report of factual findings and therefore the outcomes of the procedures should, in our view, be clearly distinguished from ancillary findings and recommendations. The danger of associating the report on factual findings too closely with other recommendations is that users view the scope of the engagement as wider than just an AUP report.

In terms of format, either a separate report or a clearly differentiated separate section of the AUP report would be acceptable.

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.

None that we are aware of.

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?

See response to Q15 please.

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.

Multi scope engagements are covered by other standards and therefore these standards should be applied to each element of the engagement. There are some areas where there could be differences between the standards such that determining whether the practitioner can carry out all of the elements of a multi-scope engagement could prove challenging.

Non-authoritative guidance might therefore be useful as a reminder that the practitioner should consider carefully the professional requirements of all elements of the engagement as part of the acceptance process.

We agree that the IAASB should consider the issue of AUP engagements before addressing multi-scope engagements.

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