

March 20, 2017

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submitted electronically through the IAASB website

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

Dear Matt,

We would like to thank you for the opportunity to provide our comments on the IAASB Agreed-Upon Procedures Working Group Discussion Paper “Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards” (hereinafter referred to as the “paper”).

We believe that, on the whole, the Working Group has done an excellent job of identifying and analyzing most of the important issues related to agreed-upon procedures engagements and other similar services. Of course, there are some matters where we believe additional considerations might be taken into account: we have identified these in our responses to the questions posed in the paper.

Services other than assurance engagements, including agreed-upon procedures engagements, are becoming increasingly more important in the portfolio of services provided by practitioners. We therefore welcome this paper and trust that the paper will prompt the commencement of a project in the short run to revise ISRS 4400 and in the long run cause the IAASB address other types of possible services that could be provided.

Of particular importance to us is the clear distinction between, on the one hand, agreed-upon procedures engagements, which involve the performance of

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procedures that have been specified closely enough in terms of nature, timing and extent so that their performance requires no professional judgment and that therefore lead to factual findings, and, on the other hand, similar types of engagements (which we term “specified or agreed-upon audit-type procedures engagements”), in which the nature of the procedures is specified, but how the procedures are performed and their timing and extent involves professional judgment, and the performance of these procedures leads to “findings” as opposed to “factual findings”. We have standards at the IDW for the latter kind of engagement and have found that having these two different kinds of engagements adds to the portfolio of services that practitioners can provide.

We would be pleased to provide you with further information if you have any questions about our response and would also be pleased to be able to discuss our response with you.

Yours truly,

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Appendix: Response by Question

Questions for Stakeholder Input

The Role of Professional Judgment and Professional Skepticism in an AUP Engagement

- 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?**

First, we would like to clarify that the question being raised is about the applicability of *professional* judgment, which involves the application of professional expertise in decision-making about alternative courses of action in the exercise of professional activities (see Section 7.2 of the FEE Paper "Selected issues in Relation to Financial Statement Audits" from 2007, which can be downloaded from the Accountancy Europe (formerly FEE) website). Every human activity, however, involves human judgment and many activities not requiring professional judgment may require some technical judgment beyond that possessed by a lay person (e.g., when adding up the totals on a series of sales invoices, recognizing which documents are sales invoices and which amounts should be added). Hence, not needing to apply professional judgment does not in any way imply that human and technical judgment is not required.

Whether or not, and if so, when, where and to what extent, *professional* judgment ought to be exercised in an agreed-upon procedures engagement depends upon how the nature of the engagement is defined, and why it is defined in this way. In this respect, it might be helpful to understand the traditional differences between an agreed-upon procedures engagement as it is currently conceived under current ISRS 4400 compared to certain commonly known other standards, such as those of the AICPA (see AT § 201). The

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primary difference is that the performance of agreed-upon procedures engagements under AICPA standards leads to “findings” (which would require the exercise of professional judgment in the performance of the procedures), rather than “factual findings” as required by current ISRS 4400 (which would not, but may require the application of technical judgment). In our view factual findings are findings that are objectively verifiable such that virtually all of those with the necessary expertise would reach the same finding and that ISRS 4400 should focus on the performance of procedures that lead to factual findings.

The difference between current ISRS 4400 and the AICPA standard arises from the fact that for many years AICPA attestation standards only covered one type of direct reporting engagement under ISAE 3000 (Original) as issued in 2003 (see International Framework for Assurance Engagements paragraph 10 sentence 3): that is, the case in which the practitioner obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to intended users (this would now be defined an attestation engagement under ISAE 3000 (Revised) as issued in 2013). Not covered by the AICPA attestation standards was the case in which the practitioner directly performs the evaluation or measurement of the subject matter (this would now be considered a direct engagement as defined by ISAE 3000 (Revised)). This means that the AICPA agreed-upon procedures standard was, among other things, designed to help cover a gap in its attestation standards for the second type of direct reporting engagement (now defined as a direct engagement) and therefore contemplates a different kind of engagement called “agreed-upon procedures” compared to the engagement set forth in current ISRS 4400 of the same name. We would not be surprised if some comment letters emanating from a U.S. background therefore claim that the performance of procedures in an agreed-upon procedures engagement should involve the exercise of professional judgment.

This does not mean that we are suggesting that professional judgment need not be exercised at all in an agreed-upon procedures engagement as designed in current ISRS 4400. We believe that considerable professional judgment is required in undertaking the following activities in an agreed-upon procedures engagement:

- Complying with the fundamental principles of the Code of Ethics
- Defining the terms of engagement, and in particular the design of the engagement and the resulting nature, timing and extent of the procedures agreed to be performed to meet the purpose of the engagement based on discussions with the relevant parties

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- Quality control at engagement level
- Planning the work
- Documenting the work performed
- Preparing the report (in particular in relation to the wording used)

However, because the performance of the procedures results in “factual findings”, under current ISRS 4000 the procedures need to be sufficiently specified in terms of nature, timing and extent so that the exercise of professional judgment is not necessary in their performance. If the performance of procedures were to result in “findings” as opposed to “factual findings”, it would not be possible to define the nature, timing and extent of the procedures such that professional judgment is not needed.

The question arises whether engagements under ISRS 4400 should be broadened to include the performance of procedures that lead to “findings” rather than “factual findings”. Our standard setting experience has shown that there is room for two different – if similar – kinds of engagements in the portfolio of services that the accountancy profession provides. One would be an agreed-upon procedures engagement as currently designed in ISRS 4400 in which, once the nature, timing and extent of procedures have been agreed, the practitioner has no room for the exercise of professional judgment in their performance and determines the factual findings resulting from the performance of those procedures.

Another kind of engagement that we have found to be particularly useful to help practitioners meet the certain needs in the regulatory community is what we call an “agreed-upon audit-type procedures engagement” or “specified audit-type procedures engagement”. In these engagements, in agreement with the relevant regulators, our standard specifies the nature of the procedures that must be performed, if applicable. However, these regulatory users value the judgment of the practitioner in the practitioner’s determination of how those procedures are performed in a particular case and the timing, and in particular the extent, of the procedures performed. Since in these cases the practitioner exercises judgment in how the required procedures are performed and in their timing and extent, the performance of these procedures lead to “findings”. It is important to the regulator users that the practitioner’s report include a description of how the procedures were performed and their nature and extent so that the regulators are in position to draw their own conclusions from the practitioner’s findings. We had made the Working Group aware of the IDW standard for this kind of engagement (IDW PS 840), and we would like to report

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that we are currently working on another standard for this kind of engagement in a regulatory context (IDW EPS 830), and are considering whether this kind of engagement might be useful in other regulators contexts, too.

In summary, we believe that an agreed-upon procedures engagement requires professional judgment for the activities described in the bullet point list noted above, but not in relation to the performance of the procedures, so that the results of the performance of the procedures would be factual findings. This implies that there must be a high degree of specificity in the agreed nature, timing and extent of those procedures. In our view, the revision of ISRS 4400 should be undertaken along these lines.

However, once the IAASB has revised ISRS 4400 in this vein, we believe it would be advantageous for the IAASB to consider adding another potential standard to its strategy and work plan for an engagement like an “agreed-upon audit-type procedures engagement” as noted above that does require professional judgment in the performance of the procedures. Because of the similarities between the two types of engagement, we expect the incremental work involved to be manageable.

Given the current definition of professional skepticism in ISA 200 and ISAE 3000, we do not believe that professional skepticism can be exercised in an agreed-upon procedures engagement. The current definition is very much designed for assurance engagements only and therefore involves being alert to conditions indicating possible misstatement and a critical assessment of evidence, for which the exercise of professional judgment is necessary, which is not the case in the performance of procedures in an agreed-upon procedures engagement. If, however, the definition and general applicability of professional skepticism were to be changed through the project on professional skepticism, then the applicability of professional skepticism to agreed-upon procedures engagements would need reconsideration.

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

On the basis of our response to question 1, yes, revised ISRS 4400 should include a requirement for the exercise of professional judgment in an agreed-upon procedures engagement – but only in relation to the bullet point list as noted above in our response to question 1. No professional judgment can be required for the performance of the procedures in the engagement because if

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such judgement were required, it would imply that the nature, timing and extent of those procedures are not sufficiently specified so that the performance of those procedures leads to factual findings. The only unintended consequences could be if – contrary to our recommendations – the IAASB were to require professional judgment for the entire engagement but the results of the performance of those procedures were to remain factual findings, which would be contradictory. Another potential consequence of requiring professional judgment for the entire engagement even if the result of the performance of the procedures were to be changed to “findings” is that the IAASB would be reducing the portfolio of potential types of engagement that practitioners would perform, as we had noted in our response to question 1. For these reasons it is important to not extend the exercise of professional judgment to the actual performance of the procedures in the agreed-upon procedures engagement.

The Independence of the Professional Accountant

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

Before we respond to this question, we would like to clarify that in our jurisdiction, with a few kinds of exceptions, all of our members are required to be professional accountants in public practice by law, and they are always required to be independent, but that does not mean that they are subject to independence requirements for all professional services as stringent as the independence requirements that apply to audits and other assurance engagements. However, a comparison of the independence requirements for our members not performing audits or other assurance engagements shows that these are generally covered in Part B of the Code applicable to professional accountants in public practice, such as in Section 220 on Conflicts of Interest, Section 240 on Fees and Other Types of Remuneration, and Section 280 on Objectivity – not in the requirements in the Code for independence for audits or other assurance engagements. We therefore recognize that in other jurisdictions and under the IESBA Code of Ethics (hereinafter the “Code”), professional accountants in public practice are not required to be independent for every kind of professional service provided as defined in the Code. Consequently, we also recognize that it may not be appropriate for independence to be required for all professional services provided by professional accountants in public practice at an international level.

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Even if the IAASB were to take the view that independence ought to be required for agreed-upon procedures engagements, it automatically raises the question as to what “kind” of independence. The independence requirements under the Code for audits of financial statements are different from those for other assurance engagements. Does this mean that when the matter being subjected to an agreed-upon procedures engagement is historical financial information, the independence requirements for audits would apply and that otherwise the independence requirements for assurance engagements would apply? Or should a completely different kind of independence apply? It seems to us that the issue of whether independence ought to be required at an international level ought to be determined by definition of independence of mind under the Code and the nature of an agreed-upon procedures engagement.

In the following analysis, we analyze only the applicability of independence of mind, since independence in appearance under the Code only relates to the appearance of independence of mind: if independence of mind is not applicable, then independence of appearance cannot be applicable.

Independence of mind is defined by the Code as “a state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.” This implies that independence of mind is a means to an end: the end being exercising professional judgment with objectivity, integrity and professional skepticism when expressing conclusions. First, as we note in our response to question 1, professional skepticism as currently defined is not applicable to an agreed-upon procedures engagement. Second, we note that independence of mind serves the application of the fundamental principles of objectivity and integrity when expressing conclusions. While under the Code objectivity and integrity apply to all professional activities of professional accountants, currently only in assurance engagements as defined by the IAASB (ISAs, ISREs and the ISAEs) do they “express conclusions” (i.e., assurance conclusions or “opinions” under the ISAs, which are a form of assurance conclusion). In an agreed-upon procedures engagement under current ISRS 4400, practitioners only provide “factual findings” – they do not “express conclusions”. Consequently, independence of mind as currently defined by the Code cannot apply to agreed-upon procedures engagements as currently defined.

Extending independence of mind to agreed-upon procedures would involve changing the current definition of independence of mind, but it also would involve changing the nature of an agreed-upon procedures engagement so that

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it involves some kind of expression of “conclusions” or “findings” beyond factual findings, since performing procedures to obtain factual findings, as noted in our response to question 1 does not involve the exercise of professional judgment. As we have noted above in our response to question 1, we do not believe it would be appropriate to change the nature of agreed-upon procedures engagements such that they involve the provision of findings beyond factual findings. For these reasons, we do not believe it to be appropriate to seek to have independence of mind required for agreed-upon procedures engagements.

However, this would not preclude the IAASB from exploring and consulting with the IESBA to determine whether the ethical requirements in Part B of the Code relating to, for example, conflicts of interest, fees, and objectivity might be strengthened for agreed-upon procedures engagements.

We surmise that some respondents may suggest that independence ought to be required for agreed-upon procedures engagements because they misunderstand the nature of independence of mind as defined or the nature of agreed-upon procedures engagements. Some others may have agreed-upon procedures engagements in mind as defined by AICPA standards, which involve findings beyond factual findings. We believe it is incumbent upon the Wording Group and the IAASB to recognize the context in which some respondents might be providing the comments when evaluating their responses.

We note that the Code does not require independence for compilation engagements, but does require it for assurance engagements – in both cases regardless of whether or not the reports are restricted. On this basis it seems to us that the issue of whether or not a report is restricted ought to have no impact at all on whether or not independence is required. Consequently, independence ought to be required only when it is a necessary condition for performing the service per se – not based on the restriction, or lack thereof, of the report.

Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report

4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology mean? Would your views change if the AUP report is restricted?

In our view, due the fact that legal or regulatory requirements, or contracts between other parties (which are written by legislators, regulators and lawyers, respectively, that often do not have a thorough understanding of the difference

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between assurance and agreed-upon procedures engagements) may require the use of certain words, we do not believe it would be a viable option to prohibit the use of certain words in an agreed-upon procedures report (hereinafter “AUP report”) in these circumstances. However, the standard should include a requirement that when such words required by law, regulation, or third-party contracts are used in a manner at variance with the nature of an agreed-upon procedures engagement, the practitioner ought to define or describe those words in the AUP report so that their use is no longer unclear or misleading. The only other option that ought to be provided for in the standard would be to change the engagement to one that is not an agreed-upon procedures engagement (in some cases, changing to an assurance engagement might not be possible because the prerequisites for an assurance engagement cannot be fulfilled).

However, for cases in which legal or regulatory requirements or third party contracts do not require the use of certain words, we do believe there is a case for prohibiting the use of certain words in an AUP report when describing the nature of the procedures being performed and the factual findings. Such words that would always be misleading when describing the nature of the procedures or the factual findings would include “present fairly”, “fairly stated”, “true and fair”, “audit”, “review”, “assurance”, “conclusion”, “certify”, “ensure”, “guarantee”, “significant”, and “material”, but there may be others. It is unlikely that the list can be exhaustive, but words with similar meanings would need to be covered by a requirement phrased in a general manner. Furthermore there is also a case for a general requirement that hinders the use of open-ended phrases that are not compatible with the nature of an agreed-upon procedures engagement.

The noted requirements would need to be supported by some guidance on the types of words that are generally compatible with the nature of an agreed-upon procedures engagement with the proviso that these should also not be used in an unclear or misleading manner.

Our views would not change if the AUP report is restricted because the appropriate use of words is connected to the nature of the engagement – not to whom the report is provided. Even when a report is restricted, there is a danger that those legitimately receiving the report may misinterpret the meaning of the words used.

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AUP Engagements on Non-Financial Information

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?

Since agreed-upon procedures engagements are currently being performed in great numbers on non-financial information and other matters, we believe that clarification that the scope of ISRS 4400 extends to all matters subject to an agreed-upon procedures engagement needs to be taken up in ISRS 4400. We are hesitant about suggesting that a practitioner needs to be competent in the “subject matter area” because that is, in our view, too vague. Rather, we believe that the practitioner needs to have the competence to adequately perform the specified procedures as agreed upon. In some cases this may require technical competence in a particular area beyond that of a lay person, but in most cases it would not because the performing the procedures and determining the factual findings resulting from the performance of the procedures cannot require the exercise of professional judgment and therefore cannot require the application of professional expertise. Certainly, the level of competence (including any special technical competence) required to adequately perform the specified procedures as agreed-upon applies to the engagement team collectively – not solely to the engagement partner.

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

We disagree with the current requirement in ISRS 4400 on the need for “reasonable criteria” on which to base the findings because no criteria in the sense of ISAE 3000 are needed for the determination of facts. Rather, the engagement terms need to include an agreement that specifies the nature, timing and extent of the procedures in sufficient detail so that there is no need for the practitioner to apply “criteria” (i.e., any implicit but very specific “benchmarks” for performing the procedures would be embedded in the description of how the procedures are to be performed).

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Using the Work of an Expert

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?

In the majority of cases, we do not believe that technical expertise is required for the performance of procedures that have been specified in sufficient detail such that no professional judgment is required to determine the factual findings resulting from the performance of those procedures. However, we do recognize that there will be cases in which technical competence in an area of expertise beyond that commonly held by professional accountants in public practice may be required for the performance of certain kinds of procedures. In these cases, we believe that it would be appropriate to have an expert perform all or part of such procedures requiring such technical competence. However, we believe that this is somewhat different than using the work of an expert under ISA 620 or ISAE 3000 for the following reasons:

- In the ISAs and ISAEs there is no need to specify the procedures and those who perform them as part of the terms of engagement. In an agreed-upon procedures engagement, the need, as part of the terms of engagement, to specify the nature, timing and extent of procedures in sufficient detail so that their performance leads to factual findings means that in agreeing the procedures the practitioner will generally recognize that additional technical competence is required, which would be reflected in the description of those procedures in the terms of engagement.
- In an assurance engagement, the expert's work represents audit evidence used in forming the assurance conclusion. In an agreed-upon procedures engagements, the performance of a procedure or part thereof is not used by the practitioner – rather, on behalf of the practitioner, the expert actually performs the described procedure or part thereof and determines the factual finding resulting therefrom.
- If special technical competence is required and agreed-upon, the AUP report would also describe who performed the procedures or parts thereof and note the special technical competence required.

For these reasons, we believe that the term “using the work of an expert” as set forth in ISA 620 and ISAE 3000 is not appropriate: rather, the term should be “having an expert perform procedures”. We agree that the practitioner should be required to evaluate the objectivity and technical competence of the expert and

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agree with the expert the nature, timing and extent of the procedures to be performed, and that the expert should not be exercising professional judgment when performing the procedures. We also agree that the practitioner should determine whether the procedures performed by the expert are consistent with the type of procedures that can be performed in an agreed-upon procedures engagement, and determine that the expert reports only factual findings resulting from the performance of those procedures.

Format of the AUP Report

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

We agree with the views of the Working Group that an illustrative report that presents the procedures and corresponding factual findings together is likely to facilitate better communication. This can be in tabular format, but other methods might be possible. In any case, we believe that the application material could provide more guidance on how such reports might be drawn up.

AUP Report Restrictions – To Whom the AUP Report Should be Restricted

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?

We agree with the Working Group's view that it was not the original intention of current ISRS 4400 to restrict the report to those that sign the engagement letter because of the passages in ISRS 4400.9 and 4400.10. We therefore agree that AUP reports can be provided to parties for which the practitioner is satisfied that these parties clearly understand the nature of the AUP engagement and the procedures specified.

Nevertheless, the Working Group and the IAASB need to recognize that there are circumstances around the world in which public institutions require the performance of agreed-upon procedures engagements and that these public institutions might be required by law or regulation to provide these reports to other parties or to make these reports publicly available. For these reasons, we suggest that any requirement, that restricts the provision of the report to those parties for which the practitioner is satisfied that these parties clearly understand the nature of the AUP engagement and the procedures specified, needs to

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include an exemption for cases in which law or regulation may specify that the report be provided to other parties or be made publicly available. For cases in which such reports must be provided to other parties or be made publicly available, the issue of report restrictions addressed in the next section is crucial (see our response to questions 10 and 11 below).

AUP Report Restrictions – Three Possible Approaches to Restricting the AUP Report

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.

In our view, subsuming this issue under “restricting the report” falls short of the nature of the matter that needs to be addressed. As noted in our response to question 9 above, there will be circumstances when reports must be provided to other parties or be made publicly available. In these cases, restricting distribution or use of the report is not a viable option. The only action the practitioner can take is to alert users in the AUP report to the special purpose of the report and the special nature of the procedures and that therefore the report may not be suitable for another purpose. Such a similar alert is currently required in ISA 800 for audits of special purpose financial statements: it seems to us that this kind of approach is appropriate for agreed-upon procedures engagements in all cases, but is particularly appropriate when neither distribution nor use can be restricted. It is therefore not an option for ISRS 4400 not to address the issue of such an alert or a potential restriction on distribution or use.

The discussions at the IAASB about restrictions on distribution or use suggest to us that there appears to be some confusion about the nature of each. A restriction on distribution is a contractual restriction on the parties for whom the report was intended not to distribute the report to other parties without the consent of the practitioner. The reference to a restriction on distribution in the AUP report makes those other parties become aware of when they might have received the report in contravention of contractual terms and reminds the parties that legitimately received the report of their contractual agreement in the engagement letter not to provide the report to other parties without the consent of the practitioner.

On the other hand, a restriction on use in an AUP report makes parties (other than those for whom the report was intended) who received the report aware of

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the fact that they were not the intended users and that they therefore cannot use (that is, legally rely on) the report

In some common law jurisdictions, it is not possible to restrict distribution, but it is possible to restrict use; in some civil law jurisdictions, it is not possible to restrict use, but it is possible to restrict distribution. In some jurisdictions, restricting both is possible; in others, neither can be restricted. For these reasons, ISA 800 includes application material clarifying that practitioners may restrict distribution or use of the report, or both, as applicable.

For these reasons, in line with ISA 800, only option three is a viable: it would require the alert in all cases (which would be particularly important when neither distribution nor use can be restricted), but would allow practitioners to restrict distribution or use, or both, as applicable in their particular jurisdiction.

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

As noted above, we do not believe that not requiring an alert is a viable option, and that application material on potential restrictions on distribution or use would be appropriate. For these reasons, we do not believe that any other approaches can reasonably be considered.

Recommendations Made in Conjunction with AUP Engagements

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?

Mixing recommendations, which invariably require the application of considerable professional judgment and professional expertise, with the procedures performed and the factual findings arising therefrom that cannot require professional judgment, would likely confuse users as to the nature of the agreed-upon procedures engagements. Hence, we agree that recommendations should be clearly distinguished from the AUP report – either in a separate document from the AUP report, or if required to be included in the AUP report, in a separate section that is clearly differentiated from the procedures and factual findings. The same ought to apply to findings, beyond factual findings, that are derivative from the performance of the procedures (derivative reporting).

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Other Issues relating to ISRS 4400

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.

As noted in the paragraph 4 of the discussion paper, current ISRS 4400 is not written in clarity format, so it is unclear what is required and what is guidance (especially through the use of present tense). Furthermore, the standard uses outdated terminology (“auditor” rather than “practitioner”) and makes reference to using the ISAs as guidance and to “procedures of an audit nature”, which is inappropriate for a non-assurance engagement. We believe that it is important that ISRS 4400 be written using the clarity conventions and as a stand-alone standard.

Greater clarification could also be provided in a revised ISRS 4400 on the following matters:

- Some practitioners appear to believe that an engagement with a series of opinions, rather than one overall opinion, is an ISRS 4400 engagement. Greater clarification is needed to distinguish ISRS 4400 from ISAE 3000 so that only factual findings, rather than multiple opinions, are included in ISRS 4400 reports. There seems to be some confusion as to when the performance of procedures leads to factual findings and how this differs from an assurance conclusion. In any case, there needs to be a prohibition on providing assurance conclusions or opinions based upon the performance of agreed-upon procedures.
- Clarification that even though professional judgment cannot be applied in the performance of the procedures, human and technical judgment needs to be applied. A revised ISRS 4400 would need to distinguish these.
- In an agreed-upon-procedures engagement, despite the assertions in ISRS 4400.14 and .15, a practitioner does not gather evidence (as defined in ISA 500 or ISAE 3000 (Revised)), but rather obtains factual information resulting from the application of the agreed-upon-procedures. Consequently, clarification in ISRS 4400 is needed that evidence is not a relevant concept and that factual findings represent factual information – not evidence.
- Greater clarification is needed that the approach used in an assurance engagement, including the determination of materiality, risk assessment,

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risk response, and forming an opinion or conclusion, is not appropriate in an agreed-upon procedures engagement.

- The report could be worded more clearly to distinguish the report from an assurance report. In particular, in line with ISRS 4410 the report should explicitly state that only factual findings resulting from the performance of the agreed-upon procedures are provided in the report and that no assurance engagement was performed and therefore assurance conclusion is provided.
- Similar to ISRS 4410, the report could clarify the value of an agreed-upon procedures engagement by referring to the fundamental ethical principles with which the practitioner complies and the practitioner's expertise.

Multi-Scope Engagements

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?

Multi-scope engagements (audits, reviews, other assurance engagements compilations or agreed-upon-procedures engagements performed together) are not uncommon in practice. Such engagements do not present performance problems, but there are reporting issues as to how to present the report or reports (that is, separate reports or one report with multiple separate sections). Most important in this context is that, in any case, the description of the different kinds of engagement needs to be separated so that users are not confused as to the nature of the work done and the conclusions or factual findings reached, if any. We have now issued a number of standards (e.g., the additional requirements for the long-form audit report for audits of financial statements of banks, engagements in relation to energy laws, wider scope engagements to audit financial statements of government entities) at the IDW that combine different engagements into a single engagement (audits, reviews, other assurance engagements – both reasonable and limited assurance – compilation engagements, agreed-upon procedures engagements, specified audit-type procedures engagements, expert opinions). Rationalizing the reporting with multiple types of engagements within one engagement and one report has proven to be the greatest challenge.

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For these reasons we would very much support the IAASB undertaking a project on multi-scope engagements and would be prepared to contribute our experience in this area to the deliberations. We are not convinced that non-authoritative guidance will suffice in the long run, but such guidance may be the first step. We also agree that this is a matter that needs to be dealt with separately from agreed-upon procedures engagements – preferably after a new standard on such engagements has been completed.

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

We very much agree with the Working Group that AUP engagements should be addressed prior to addressing multi-scope engagements because the results of a project to revise ISRS 4400 would have an impact on the nature and content of any authoritative or non-authoritative guidance on such multi-scope engagements.