

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

## **response to discussion paper**

28 March 2017

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 170328 SC0233

Matthew M. Waldron  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14th Floor  
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10017 USA  
Submitted electronically  
February 2017

Dear Matthew Waldron

**IAASB Discussion Paper**

***Exploring the Demand for Agreed-Up on Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards***

CIPFA is pleased to present its response to this discussion paper, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

**Response to the Questions for Stakeholder Input**

CIPFA comments on the specific questions in the Discussion Paper are provided in the attached annex.

I hope this is a helpful contribution to the development of the Board's work in this area. If you have any questions about this response, please contact Steven Cain (e:steven.cain@cipfa.org, t:+44(0)20 7543 5794).

Yours sincerely

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## Responses to Questions for Stakeholder Input

<b>The Role of Professional Judgment and Professional Skepticism in an AUP Engagement</b>
<p>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.</p> <p>Is this consistent with your views on the role of professional judgment in an AUP engagement?</p> <p>If not, what are your views on the role of professional judgment in an AUP engagement?</p>
<p>CIPFA agrees 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. This may be particularly important if the professional accountant is to place reliance on other experts, where judgment may be required as the appropriateness of the expert.</p> <p>Nevertheless, the scope of such judgment needs to be limited, so that it does not invalidate the output of the assignment, which must remain confined to objectively verifiable factual matters.</p>
<p>Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?</p>
<p>In line with our response to Q1, we consider that ISRS 4400 should contain requirements relating to judgment. Both to explain where it is necessary, and to limit the use of judgment in keeping with the performance of an Agreed Upon Procedures assignment.</p>
<b>The Independence of the Professional Accountant</b>
<p>Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?</p>
<p>We can see that allowing non-independent AUP would increase the usability of the ISRS, and we do not think this is unreasonable. CIPFA recognises that ISRS 4400 might provide a useful framework for e.g. internal audit.</p> <p>However, where the assignment is undertaken by a party which is not independent in the sense used in IAASB literature, this will need to be disclosed, together with an explanation of the relationship between the reporting accountant and the entity receiving the report, and the extent to which they are objective or independent.</p>

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

Q4. 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?

We agree that this is important, and the ISRS needs to provide material which will prohibit the use of unclear or misleading terminology.

Clarity is needed about what levels of assurance are provided in all IAASB standards, and this is particularly true for AUP, where no assurance opinion is provided, and users of the AUP report assess for themselves the factual findings based on the procedures performed and draw their own conclusions.

This issue cannot be addressed purely through ISRS 4400. A significant issue is that those parties who request reporting from accountants and assurance professionals may not understand the differences between the various types of engagements. It might be helpful to produce educational material which explains how verification and reporting can be undertaken for a range of information other than financial statements. Ideally this would be read before the entity decided on the type of assurance or other reporting required, but it might also be useful to inform discussions with professional accountants when the terms of the engagement are being agreed.

We do not consider that restriction of the AUP report significantly affects these matters.

**AUP Engagements on Non-Financial Information**

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?

CIPFA agrees that non-financial information should be included in the scope of ISRS 4400.

**Using the Work of an Expert**

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?

This seems reasonable. As explained in our responses to questions 1 and 2, this does introduce a requirement for judgment in the selection of experts.

**Format of the AUP Report**

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.

CIPFA agrees that addressing the different presentation requirements for long and detailed findings is appropriate.

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

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?

CIPFA agrees that this is possible, subject to any legal or other limitations on the sharing of the information.

As noted in the Public Sector Perspective in the extant ISRS 4400, in some cases there may be a legal requirement to disclose or share the report, for example, where government documents are required to be publicly accessible. In such cases, there is limited scope to influence the understanding of the non-signatory, other than through directing them to read the conditions of the engagement, or explanation that the report has been prepared for specific users and may not be suitable for any other purposes.

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

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.

On balance, CIPFA supports option (c), having regard to our comments on Q9.

**Recommendations Made in Conjunction with AUP Engagements**

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?

Other Issues relating to ISRS 4400

CIPFA agrees with the Working Group’s view. We would note that recommendations will often contain subjective assessments or judgments which should be kept separate from the factual findings.

**Multi-Scope Engagements**

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?

CIPFA agrees that guidance on multi-scope engagements could be useful, but we suggest addressing this in a separate exercise. We currently have no strong view on whether this should be progressed using non-authoritative guidance.

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

CIPFA agrees with the Working Group’s view.