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Our ref KPMG submission Feedback
IAASB Working Paper on
AUP's.docx

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Dear Sir

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

KPMG welcomes the opportunity to provide comments on the consultation paper issued in November. We have reviewed that paper, and our comments are set out below.

- 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?**

This is consistent with our view. We note that as auditors, we are bound by internal codes of conduct as well as codes issued by our professional bodies and therefore believe we would be bound by this regardless of whether it forms part of the AUP standard or not. We should always be contracted to perform certain procedures by clients, however there could be cases where a client requests our input (our professional judgement) in relation to determine those procedures or aspects of those procedures.

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

As noted above as auditors we are bound by standards (both internal and external) that require us to be professionally competent to perform any engagement we accept and exercise due care when performing the engagement. It may be useful to include requirements within ISRS 4400 in regards to this to ensure that all practitioners are exercising the same level of professional judgement. However, we do believe this will have to be carefully worded to ensure that practitioners do not believe this gives them the ability to issue an assurance opinion or conclusion, rather than just a statement of objectively verifiable factual findings. There is already an expectation gap in the market around factual findings versus assurance, and any linking of the two concepts (even if unintended) could muddy the waters further.

**3) 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 that in order for an AUP engagement to be credible, those performing the engagement must be independent. A situation should not occur where a practitioner both prepares information as well as provides factual findings about the information. Our view does not change if there is a restriction in who the report is distributed to.

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?

Our view is that unclear or misleading terminology causes confusion over what is being stated in the report, however prohibiting terms/terminology may not suit all situations. We believe one main cause of the use of unclear language stems from poorly worded requirements written into legislation. This wording can be difficult if not impossible for the auditor to comply with when delivering an engagement. Whilst defining terms may be a solution to this issue, there are a number of instances where this solution will not suffice as the requested legislative requirements are not achievable in any case. We would encourage standard-setters to work more closely with those responsible for setting legislative requirements. We do not believe a restriction in who the report is distributed to should influence this.

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?

We support ISRS 4400 covering non-financial information. We agree it is important to ensure that the practitioner performing this sort of engagement is competent, however we believe this pre-condition is already a requirement of the current quality control standards, and therefore do not require repeating.

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

No

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?

We do agree with the views expressed as they are consistent with other engagements where an expert is used and are procedures we would expect practitioners to be performing when they engage an expert to perform some of the work/procedures.

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

Our view is this would be valuable as it would present a 'best practice' example of both a short and long report. However, we note it will be difficult to set a defined template due to the wide variety of AUP's performed and type of findings that might be reported. We also note certain users will sometimes request the report in a defined format.

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 this approach and note it is consistent with the approach we take when our reports are to be provided to regulators. The point made in question 4 (in relation to standard setters using unclear language) is relevant here.

We acknowledge that there can be an expectation gap where those receiving the report do not fully understand the basis of the engagement, and therefore take a false sense of assurance from it. However we believe if the procedures carried out are restated in the report, so it is clear what procedures have been performed to arrive at the factual findings, this can help mitigate the risk.

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.

We believe the third approach is most appropriate as this wording is already in use, is understood by users of the report and practitioners and is an appropriate balance between mitigating the risk of misunderstanding and the convenience of allowing regulators etc. to make use of the report without signing up to the engagement letter.

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

We do not believe there are any other approaches to be considered.

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?

As recommendations are subjective judgements it is important they are segregated, and clearly differentiated from the objective factual findings that are being reported to ensure there is no confusion among users. To this end, we believe they should not be included in the same factual findings report. A separate 'management letter' style report could be provided.

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.

We are not aware of any other areas that require clarification.

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?

We believe with the further interest in multi-scope engagements, authoritative guidance covering the following areas would be helpful:

- incorporating the required items within one document;
- how to distinguish the work performed, and assurance being provided; and
- removing duplication

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 agree with this view as we feel it is appropriate to have an updated standard in place before dealing with other concerns.

Yours faithfully

A handwritten signature in cursive script, appearing to read "Darby Healey".

Darby A Healey
Partner