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Stellungnahme zum IAASB-Diskussionspapier *Agreed-Upon Procedures* (Durchführung von vereinbarten Untersuchungshandlungen)

Die WPK hat mit Schreiben vom 7. März 2017 gegenüber dem International Auditing and Assurance Standards Board (IAASB) zu dessen Diskussionspapier *Agreed-Upon Procedures* (Durchführung von vereinbarten Untersuchungshandlungen) wie nachfolgend wiedergegeben Stellung genommen.

We are pleased to take this opportunity to comment on the IAASB Discussion Paper: *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards*.

Agreed-Upon Procedures Engagements are widely used and applied for various purposes in Germany. Since there are no legal provisions for this kind of engagement, ISRS 4400 is considered as a flexible 'guidance' that fits various types of AUP engagements.

We welcome IAASB's intention to consider a reworking of ISRS 4400 in order to enhance it against the background of increasing demand. A focus of the reworking should be on maintaining the flexibility that the standard currently provides.

Please see below our comments to the questions raised in the AUP Discussion Paper.

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

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. 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 do support the view of the AUP Working Group on the role of professional judgement in an AUP engagement:

- As we understand the wording of the current ISRS 4400 the *factual finding*, i.e. the performance of the procedures agreed upon to obtain evidence as the basis for the AUP report, basically does not require the exercise of professional judgement.
- However, the definition of the terms of the engagement (especially the identification of the financial information to which the agrees-upon procedures will be applied and the determination of nature, timing and extent of the specific procedures; ISRS 4400.9) as well as the planning (ISRS 4400.13) and the level of adequate documentation (ISRS 4400.14) of the engagement may require professional judgement of the public accountant.
- Furthermore, during the conduct of the engagement the public accountant may encounter circumstances that impose the need to apply professional judgement. One example might be the case when the professional comes across an indication for (potential) non-compliance with laws and regulations (NOCLAR; IESBA Code of Ethics 225.39 et seq.). Another example is how to treat deficiencies in the client's internal controls system identified during the engagement, especially when they may have an effect on the conduct of the AUP engagement.

As the Discussion Paper correctly states, AUP engagements are widely used in many jurisdictions, for various purposes, and sometimes combined to 'hybrid engagements' to meet emerging needs. Against this background there may be situations where the factual finding involves the exercise of professional judgement of the professional accountant.

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

Currently we do not see a compelling need to include a requirement relating to professional judgement in ISRS 4400. We think that such a requirement won't make a material difference to the way AUP engagements are conducted in practice but will lead to questions in the end. In this con-

text we believe current ISRS 4400 to be sufficiently flexible to cover various ‘engagement conditions’ and user needs.

On the other hand, if users of ISRS 4400 require a message regarding the exercise of professional judgement, a statement as in ISRS 4410, paragraph 22 (‘The practitioner shall exercise professional judgement’) does not seem harmful, even though there is not much guidance in this.

But we ask the IAASB to rethink the inclusion of a long-winded ‘discussion’ and to refrain from explanation such as ‘the role of professional judgement in an AUP engagement is in the context of professional competence and due care’. Such a statement is unclear and open to various interpretations. In this context we would very much appreciate it, if IAASB – in case of including requirements relating to professional judgement – refrained from introducing the undefined terminology ‘sound judgements’ in order to explain the term ‘professional judgement’.

The Independence of the Professional Accountant

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

A professional accountant in Germany has to meet the independency requirements of the German professional law in order to perform AUP engagements. Otherwise the professional accountant has to refrain from the engagement. This requirement applies irrespectively of the size of the SMP or the SME.

Although the professional accountant does not express an opinion or conclusion on the AUP engagement, the AUP are intended to increase credibility and trust in the underlying financial information on which external parties rely. From our point of view, any threat to the independence in appearance of the professional accountant impairs the benefit and the trustworthiness of the performed ‘procedures of an audit nature’ (ISRS 4400.4).

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 means? Would your views change if the AUP report is restricted to specific users?

The intention to avoid unclear or misleading terminology in AUP reports is, in principle, to be welcomed. However, the practical implementation of such a prohibition as well as the creation of a beneficial guidance seems hardly possible. The decision about what terminology is unclear or misleading has to be done from a user’s point of view. Assumptions need to be made as to an appropriate level of user skill and experience. The circumstances of the individual engagement need to

be taken into consideration. Non-native English speakers face the need for translation and have to cope with corresponding translation inaccuracies.

Finally it is up to the engagement client to request clear and unmistakable terminology in the AUP report.

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?

In comparison to current ISRS 4400.2 the proposed amendment of ISRS 4400 (note 31) does not seem to include additional guidance. Besides, the proposed amendments are already covered by ISRS 4400.7 (c).

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

No comment.

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?

Yes, we do agree. Using the work of an expert in AUP engagements is not uncommon and should accordingly be covered by ISRS 4400. The prerequisites for involving an expert need to match the general requirements for performing AUP engagements.

Format of the AUP Report

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

We support any reasonable attempt to improve existing guidance. As stated above AUP engagements are widely used and applied for various purposes. Therefore it is a challenging task to create comprehensive guidance that covers various circumstances.

Nevertheless it seems important to stress that the illustrative AUP report in ISRS 4400 is just an illustrative example which can and should be modified in order to meet the special requirements of the corresponding engagement. It should be noted that professionals are often reluctant to deviate from sample wordings or guidance provided by a standardsetter.

AUP Report Restrictions

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?

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.

Q11. Are there any other approaches that the Working Group should consider?

AUP report restrictions need to be considered in the context of legislation and jurisdiction (especially liability regime and general terms and conditions) on the national level.

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?

It should be clearly stated that AUP engagements in accordance with ISRS 4400 do not include recommendations of the professional accountant. Recommendations require professional judgement – partly on the facts found – and alter the scope of the engagement, resulting in 'hybrid engagements'.

Nevertheless the contracting parties may explicitly agree upon the provision of recommendations as an addition to the performance of AUP. In this case the recommendations should be clearly distinguished from the procedures and factual findings.

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.

No additional comments.

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?

Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?

Yes we do agree. Issues within AUP engagements should be addressed with priority.

Nevertheless multi-scope engagements are an important issue to cover. Due to the complexity of arising questions (e.g. combination of different kinds of confirmation / assurance, interrelation of findings, form of the report) it seems better to address these engagements in non-binding guidance.

We would be pleased if our remarks will be taken into consideration and would be delighted to answer any questions you may have.