

New Zealand Society of Accountants

STATEMENT OF AGREED UPON PROCEDURES ENGAGEMENT STANDARDS 1
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Issued by the Council, New Zealand Society of Accountants

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Introduction

- 1 This Statement of Agreed Upon Procedures Engagement Standards describes the fundamental principles governing members' professional responsibilities which shall be complied with whenever an agreed upon procedures engagement is carried out. Advice on the performance of an agreed upon procedures engagement designed to meet the Standards is contained in the Agreed Upon Procedures Engagement Guidelines.
- 2 Members are advised that, with effect from 1 January 1993, compliance with the Agreed Upon Procedures Engagement Standards is mandatory in terms of paragraph 130.1(b) of the [Code of Ethics](#). Failure to observe these Standards may expose a member to disciplinary action.
- 3 Compliance with the Standards requires the application of verification procedures and reporting practices appropriate to the circumstances of each agreed upon procedures engagement.
- 4 These Standards are directed towards engagements involving financial information. The Standards may be adapted to cover engagements involving non-financial information (such as reports on the results of voting procedures) provided that the member has adequate knowledge of the subject matter in question.

Function Of An Agreed Upon Procedures Engagement

- 5 An agreed upon procedures engagement is a professional engagement in which a member agrees with the client to perform specific procedures with respect to financial information. In such an engagement, the member performs procedures of an audit nature to which the member and the client have agreed in order to meet the client's need for particular information.
- 6 Whereas an audit or review engagement is designed to enable the member to provide a level of assurance on the assertions contained in financial information, an agreed upon procedures engagement is not designed to provide such assurance. In an agreed upon procedures engagement, the member reports on the factual findings resulting from those procedures that have been performed.
- 7 The member may be requested by the client to perform procedures of a limited nature designed to enable the member to express positive or negative assurance on specific financial information or procedures. (For example the client might request the member to assess the adequacy of the allowance for doubtful accounts at a point in time. Alternatively the member might be requested to give an opinion on the effectiveness of operation of internal controls). Such engagements would not constitute agreed upon procedures engagements. They would be either audit or review engagements because the member is expressing an opinion and is not merely reporting the results of factual findings from the procedures adopted. For such engagements, although limited in nature, the member should observe the Standards and Guidelines applicable to such engagements.

Responsibility For The Financial Information

- 8 While the member is responsible for providing a factual verification of the financial information examined in an agreed upon procedures engagement, the responsibility for the accuracy of the financial information lies with the client. The involvement of the member in providing a report based on the agreed upon procedures does not relieve the client of responsibility for the accuracy of any financial information provided to the member or associated with the member's report and the assertions contained therein.
- 9 The member normally determines the scope of the agreed upon procedures engagement in accordance with the terms of the engagement agreed upon by the member and the client.
- 10 It is essential that there is a clear understanding between the member and the client as to the extent and nature of the members duties and responsibilities. It is desirable that such understanding is evidenced in writing.

Agreed Upon Procedures Standard 1

Integrity, Objectivity and Independence

The member should be straight-forward and honest in performing professional services. The member should be fair and should not allow prejudice or bias or influence of others to override objectivity. The member should be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity.

Discussion

- 1.1 It is the duty of the member to maintain integrity and objectivity. That duty is the essence of professional work. Anything which tends to impair, or might appear to impair that objectivity in relation to any particular assignment or client may cast doubt on the propriety of accepting or continuing with the work in question.
- 1.2 To maintain integrity and objectivity, the member should maintain freedom from any conflicting interest or improper influence and should avoid situations which may lead others to conclude that there is a conflict of interest and that objectivity is impaired.
- 1.3 Members have an obligation to ensure that all personnel engaged on such professional work adhere to the principles of integrity and objectivity.
- 1.4 Members should refer to the detailed guidelines contained in [Code of Ethics](#).

Agreed Upon Procedures Standard 2

Confidentiality

The member should respect the confidentiality of information acquired in the course of the engagement and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose.

Discussion

- 2.1 Paragraph 140.1 of the *Code of Ethics* imposes an obligation on all members to refrain from disclosing confidential information acquired as a result of professional or business relationships without proper and specific authority, or unless there is a legal or professional right or duty to disclose such information.
- 2.2 A member has access to much confidential information about client affairs which is not otherwise disclosed to the public. The member shall not make unauthorised disclosures to other persons. The duty of confidentiality continues after the completion of an assignment.
- 2.3 The member also has an obligation to take steps to ensure that staff under the member's control respect the principle of confidentiality.
- 2.4 The principle of confidentiality goes wider than the disclosure of information. It requires that the member acquiring information in the course of professional work shall neither use nor appear to use that information for personal advantage or for the advantage of a third party.

Agreed Upon Procedures Standard 3

Skills and Competence

The agreed upon procedures engagement should be performed with due professional care by persons who have adequate training, experience and competence in the performance of such engagements.

Discussion

- 3.1 Paragraph 210.6 of the *Code of Ethics* imposes an obligation on all members in public practice to only provide those services that the member is competent to perform.

- 3.2 The member requires specialised skills and competence which are acquired through a combination of general education, technical knowledge obtained through study and formal courses, and practical experience under proper supervision.
- 3.3 In addition, the member requires a continuing awareness of developments, including relevant pronouncements on accounting matters, and other regulatory and statutory requirements.

Agreed Upon Procedures Standard 4

Work Performed by Assistants or Others

When the member delegates work to assistants or others, the member continues to be responsible for the procedures performed. The member should carefully direct, supervise and review work delegated to assistants and should make such enquiries to ensure that the work performed by assistants or others is adequate for the member's purpose.

Discussion

- 4.1 Any delegation of work to assistants or others should be in a manner that provides reasonable assurance that such work will be performed by persons who have the skills and competence required in the circumstances.
- 4.2 The member, and assistants with supervisory responsibilities, should consider the skills and competence of assistants to whom work has been delegated when deciding on the extent of direction, supervision and review to be undertaken to ensure the performance of those tasks.
- 4.3 Appropriate direction should be given to assistants to whom work is delegated. Direction involves informing assistants of their responsibilities and the objectives of the procedures they are to perform. It also involves informing them of matters, such as the nature of the entity's business and possible problems that may be encountered.
- 4.4 The work performed by each assistant should be reviewed to determine whether the work has been performed in accordance with professional standards, and the standards of the member's firm.
- 4.5 Where the member delegates work to others, the member should ensure that the procedures are performed by people having adequate technical competence.
- 4.6 The member should communicate with others to whom work is delegated to ensure that they are aware of the nature of, and reason for, the procedures that they are to perform.
- 4.7 The member should perform procedures to obtain assurance that the work has been performed in accordance with the procedures agreed upon by the member and the client. The member should review the work performed and the conclusions reached to ensure that the work has been properly performed for the purposes of the member in preparing the statement of factual findings for the client.

Agreed Upon Procedures Standard 5

Planning

The member's work should be planned so as to enable the agreed upon procedures to be conducted in an efficient and timely manner. Plans should be based on an understanding of the client's business and revised as necessary during the course of the engagement.

Discussion

- 5.1 Adequate planning helps to ensure that appropriate attention is devoted to important areas of the engagement, potential problems are promptly identified and the work is completed expeditiously. Planning also assists in proper utilisation of assistants and in coordination of work done.

- 5.2 The extent of planning will vary according to the size and complexity of the engagement, and the member's previous experience with the client, and knowledge of the client's business.

Agreed Upon Procedures Standard 6

Documentation

The member should document matters which are important in providing evidence that the agreed upon procedures were carried out in accordance with the Agreed Upon Procedures Standards. The member should retain a record of the source of significant information the member has used in providing the report on factual findings resulting from the engagement.

Discussion

- 6.1 Documentation refers to the working papers prepared or obtained by the member, and retained by the member, in connection with the performance of the engagement.
- 6.2 Working papers:
- aid in the planning and performance of the engagement;
 - aid in the supervision and review of the work of assistants; and
 - provide evidence of the findings of the member which form the basis of the member's report.
- 6.3 Working papers should be sufficiently complete so as to provide a record of the source of significant information the member has used in compiling the report of the factual findings.
- 6.4 Where working papers are retained the member should adopt reasonable procedures for the safe custody and confidentiality of the working papers, and should retain them for a period of time sufficient to meet the needs of the member's practice and satisfy any pertinent legal or professional requirements of record retention.

Agreed Upon Procedures Standard 7

General Standard

No member shall make, prepare or be associated with any statement which the member knows or believes to be false, incorrect or misleading, or open to misconstruction by reason of the misstatement, omission or suppression of a material fact or otherwise.

Discussion

- 7.1 It is the duty of members to maintain integrity in all professional work that is undertaken. The member shall not compromise professional integrity by becoming associated with financial information that may be used to mislead.
- 7.2 Failure to observe this rule may render the member liable to both disciplinary and legal proceedings.
- 7.3 Where any matters come to the member's attention during the course of an agreed upon procedures engagement that cause the member to believe that any information with which the member's name may be associated in any way, may be false, incorrect or misleading, or open to misconstruction, the member should initially discuss the matter with the client. If, after discussion, the client is unwilling to rectify the information, the member should terminate any association with that financial information. The member should also take steps to ensure that the member's name is not improperly associated with any other information with which the member may have had a prior association and which may be misleading.

Agreed Upon Procedures Standard 8

Reporting

The member should evaluate the findings drawn from the procedures performed as a basis for the preparation of the member's report on the factual findings. The report on factual findings should contain a clear statement of the factual findings and should identify the nature of the work performed enabling the member to make such statements.

Discussion

- 8.1 Where the member simply presents the evidence collected to the user, and only reports the factual findings of agreed upon procedures, the member is not expressing any assurance on assertions.
- 8.2 The recipients of the member's report must form their own conclusions from the agreed upon procedures performed and the factual findings reported by the member. The member's report of factual findings should be restricted to those parties for whom the agreed upon procedures have been performed since others, unaware of the reasons for the procedures, may misinterpret the results.
- 8.3 The report on an agreed upon procedures engagement should describe the purpose of the engagement in sufficient detail to enable the reader to understand the nature and the scope of the work performed. The report should set out the factual findings as a result of performing the agreed upon procedures, including sufficient details of errors and exceptions found. The report should make it clear that neither an audit nor a review has been performed and, consequently, that no assurance on assertions is given.