



Perspective

This is one of a series of articles where experts in assurance, reporting and regulatory matters discuss recent technical and policy developments in these areas

New Zealand's Agreed Upon Procedures Standard has been revised

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New Zealand now has a new agreed upon procedures (AUP) engagement standard. The New Zealand Regulatory Board of NZICA (NZRB) released its comprehensive guide to AUP engagements, titled APS-1(revised) *Agreed-Upon Procedures Engagements to Report Factual Findings*, in late August 2018. The release follows the substantial positive feedback provided to the consultation on the reforms conducted earlier this year.

APS-1(revised) applies to New Zealand resident members of CA ANZ for engagements where they are appointed after 1 January 2019, with early adoption permitted. It supercedes its predecessor APS-1 *Statement of Agreed Upon Procedures Engagement Standards* and its supporting APG-1 *Guideline on performance of an Agreed Upon Procedures Engagement*, both of which have been withdrawn from that date.

Why has the standard been revised?

Agreed upon procedures engagements have undergone remarkable growth since APS-1 was first issued 25 years ago. This is because they offer focus and flexibility, allowing specific procedures to be targeted to specific information needs and reports issued on the credibility of that specific information. While they can be a cost effective option to add confidence to the quality of information, they are not the same as an audit or review and cannot be used in their place. Knowing when to use, and not to use, an AUP engagement can be a complex judgement call for members, clients and regulators.

The NZAuASB currently does not have a mandate to issue standards for agreed upon procedures engagements. Therefore the NZRB has used its standard setting mandate in this area to provide New Zealand with a robust and comprehensive standard. It can now sit alongside the NZAuASB standards on audit and review engagements to provide the necessary clarity on engagement types. Other publications such as CA ANZ's publication [Audit, Assurance and Related Services](#), and the NZAuASB's [Assurance for Not-for-profits: A guide for funding organisations](#) also assist in this area.

What is an Agreed Upon Procedures engagement?

An AUP engagement involves three steps:

- the member, the entity engaging the member (the client) and any other intended users of the engagement agree the specific procedures that are to be performed.
- after performing these specified procedures, the member produces a 'report of the factual findings' on this work which is distributed to the intended users.
- the intended users then assess these factual findings for themselves, drawing their own conclusions on the subject matter under investigation.

The member does not evaluate the findings or express any form of opinion or conclusion on them. This is one of the key differences between an AUP engagement and an audit or review.

A common example of AUP engagements is a grant provider wanting to ensure the funds they provided were banked by the organisation and spent on the purpose for which the money was provided (such as purchasing equipment or paying staff). Regulators may also request an AUP engagement to ensure that a legislative return agrees to the underlying financial information of the entity (for example Department of Internal Affairs Gaming Machine Summaries or Financial Markets Authority Net Tangible Asset Returns).

How has APS-1(revised) changed - in broad terms?

APS-1(revised) is different in name and form to its predecessor, structured as a single engagement standard with included guidance, rather than a statement of multiple standards with separate guidance. However, a significant portion of the content, especially around the principles that underlie the objectives of and reporting for an AUP engagement, will be familiar. These requirements have all now been updated, expanded and clarified to ensure the standard provides members with the support they need to conduct these engagements efficiently and effectively. The NZRB has based the reforms on international best practice, achieved by using the current Australian standard, ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*, as a base. This standard has been more recently updated, but is still compliant with, the equivalent international standard ISRS 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

The changes - let's get specific

APS-1(revised) has new or different requirements in the following key areas:

- **Differentiating AUP engagements** – there is more detailed analysis of the differences between AUP engagements and assurance engagements, such as audits and reviews. These differences are further clarified by tables discussing key features and common procedures of both types in Appendices 1 and 2. The standard then explains the implications these differences have for engagement design, acceptance and reporting
- **Independence** – an independence requirement is included which can be relaxed if the member and the engaging party agree that a lower level of independence for the engagement is suitable

- **Ethics and Quality Control** – the professional and ethical obligations in the old APS-1 have been removed. Instead, members are now directed to the NZICA Code of Ethics for relevant ethical requirements and to PS-1 *Quality Control* for requirements dealing with engagement quality control and documentation. This avoids any duplication or inconsistency.
- **Users of AUP engagements** – more explicit obligations for members to understand the needs of other users of their final report (not just the needs of the client) are included. Guidance is provided on how this can be obtained if the users do not sign the engagement letter.
- **Preconditions for engagement acceptance** – enhanced requirements ensure that only appropriate engagements are accepted. These requirements include ensuring that both the member and the users of the engagement (not just the client) clearly understand the engagement's purpose, which must be rational. They also ensure that users, not members, design and specify the procedures that meet their needs.
- **Terms of engagement** – a written terms of engagement, documenting the 'agreed upon procedures', is mandated and changes to those procedures without the preparation of additional written document is not permitted. This amended documentation can take the form of a new letter or a modification to the existing letter. A specimen engagement letter included as Appendix 3.
- **Professional judgement** – the role professional judgement plays in the acceptance, planning, performance and reporting of an AUP engagement has been clarified.
- **Form and content of the Report of Factual Findings** – enhanced disclosures clarify the differences between AUP and assurance engagements, communicate the independence level adopted and the impact of laws and regulations on the engagement reporting. A sample report is included as Appendix 4.

Why not wait for the IAASB's new standard?

Providing a current robust professional standard that is harmonised with Australia as soon as possible was considered the best professional option for New Zealand at the current time. This decision was taken notwithstanding the International Auditing and Assurance Standards Board (IAASB) is currently undertaking a [project to update ISRS 4400](#). That project commenced in late 2016 with the release of a discussion paper. The IAASB is now expected to issue an ED in late September 2018 as the prelude to a new standard in 2019 that would apply to AUP reports signed after a date yet to be determined.

It was also taken in light of an impending change in the NZAuASB's mandate, now being made via the [Regulatory Systems \(Economic Development\) Amendment Bill](#), which was introduced into New Zealand's parliament on 11 July. The revised mandate will add agreed upon procedures engagements to the types of standards the NZAuASB can set. Once this occurs, the new and harmonized APS-1(revised) will allow the NZAuASB to work jointly with the AuASB to respond to the international developments in their future development work for this standard.

Act now

The 1 January 2019 application date, with early adoption permitted, provides members with the time to review their documentation, have discussions with their clients and engagement users and make the necessary changes to ensure they comply with the new standard. Most feedback to the consultation indicated that members did not expect their work to be significantly impacted by the new requirements. However we have produced a series of FAQs on key issues to accompany the standard's release. These FAQs, the standard itself, and a *Project Summary and Feedback Statement* are available on the [CA ANZ webpage](#). This latter document explains the project in more detail and discusses how the

responses the NZRB received to its consultation process were dealt with in developing the final standard. The standard can also be downloaded from the online Members' Handbook after 1 October 2018.

We also encourage members to use their experience implementing APS-1(revised) to provide feedback to the forthcoming IAASB ED. We will announce its release via our Reporting and Assurance newsletter and CA ANZ's Reporting and Assurance team will be preparing a submission. It will utilise the feedback from our APS-1(revised) consultation as well as any additional comments members wish to provide.