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Dear Matt

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

Thank you for the opportunity to comment on the discussion paper "*Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards*". We have provided our comments in Appendix 1 on the questions raised for stakeholder input.

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We trust these comments are helpful.

Yours sincerely



Stephen Walker
Executive Director

Appendix 1: Responses to questions for stakeholder input

The role of professional judgment and professional scepticism 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?

While we agree that an AUP engagement should result in objectively verifiable factual findings, in practice there are unlikely to be many engagements that are purely factual and objective, without any judgement (however minor). However we would expect the procedures in an AUP engagement to result in predominantly objectively verifiable factual findings, with limited need for professional judgement.

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

Yes, we believe that ISRS 4400 should include requirements and/or guidance relating to professional judgement. However care needs to be taken in not requiring too much relative to the nature of the AUP engagement. The matters identified in paragraph 12 of the discussion paper seem appropriate.

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?

In our view independence is preferable to objectivity. If objectivity is set as the minimum requirement then we believe that the existing approach in ISRS 4400 of requiring disclosure of the lack of independence is essential. However disclosure of a lack of independence is not as good as actually being independent. While we recognise that in theory objectivity is a lower standard to meet than objectivity, in practice a lack of independence does raise questions about whether the practitioner is genuinely objective. The discussion paper asks whether independence is necessary when the report is restricted to specific users and no professional judgement is required. If this is the case then objectivity may be sufficient, however see our response to question 1 on the use of professional judgement.

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 with the prohibition on unclear or misleading terminology. We agree with the examples provided as guidance. However it would be helpful to preface the examples with

more explanation of what unclear or misleading terminology includes at a higher level. For example, terminology that implies audit or assurance services rather than agreed upon procedures.

Whether or not the report is restricted to specific users does not change our views on this.

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?

We are supportive of the clarification that non-financial information is within the scope of ISRS 4400. We also support the proposed preconditions, but believe that these are important regardless of whether the engagement relates to financial or non-financial information.

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

We have not identified any other matters that should be included if the scope of ISRS 4400 is clarified to include non-financial information.

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?

We agree with the Working Group's view that ISRS 4400 should address the use of experts. The objectivity and competence of any expert used are essential to the effective performance of the engagement. While it is not mentioned in the discussion paper, we believe the practitioner should also consider whether the extent of the expert's work relative to the overall engagement raises questions about whether the practitioner has sufficient competence in the subject area to accept responsibility for the engagement.

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 the view that an illustrative report in tabular format would be helpful. We note that many key audit matters audit reports are also presented in a tabular format to facilitate better presentation of the information relating to each matter. We believe that this format could also work well for AUP engagements.

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?

We agree with the view that the report can be provided to a party who is not a signatory to the engagement, provided that such parties have a clear understanding of the AUP and the conditions of the engagement. There needs to be additional guidance on how the practitioner could be satisfied that these conditions are met.

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.

We believe that the third approach (including a statement that the report is intended solely for specific users and may not be suitable for any other purposes) is the most appropriate.

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

We have not identified any additional approaches for the Working Group to consider.

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?

Yes, in our view recommendations should be clearly distinguished from the procedures and findings. Users of the report should be able to easily identify the findings for each procedure.

Other issues relating to ISRS 4400

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.

In our view ISRS 4400 would be further improved if it provided more guidance on how to differentiate an AUP from an assurance engagement. In part, the proposals in relation to unclear or misleading terminology will help in this regard. However, we are of the view that there remains a knowledge gap, particularly with the parties requesting some of the types of reports listed in Appendix A to the discussion paper. It is vital that the engaging party, the Professional Accountant performing the engagement and any 3rd party that it is agreed the report will be provided to (such as a funder) are all clear as to the work that will be done, the output arising and whether or not any assurance is provided.

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?

It would be helpful for the IAASB to address multi-scope engagements. In our view this could take the form of guidance on how the requirements that relate to the different elements apply in a multi-scope engagement.

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, our view is that it would be best to address the issues with AUP engagements first.