

29 March 2017

Matthew Waldron
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, 10017
USA

Dear Matthew,

IAASB 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 this Discussion Paper. We submit the feedback from the New Zealand Auditing and Assurance Standards Board (NZAuASB) to the specific questions raised in the attachment.

The External Reporting Board (XRB) is a Crown Entity responsible for developing and issuing accounting and auditing and assurance standards in New Zealand. The XRB’s outcome goal is to contribute to the creation of dynamic and trusted markets through the establishment of an accounting and assurance framework that engenders confidence in New Zealand financial reporting, assists entities to compete internationally and enhances entities’ accountability to stakeholders. The NZAuASB has been delegated responsibility by the XRB for developing and issuing auditing and assurance standards. That responsibility currently excludes standards for agreed-upon procedures (AUP) engagements, as these are not assurance engagements; however, the XRB is working to and anticipates a change to that mandate in the short term, in response to the increasing demand for such engagements. AUP engagements are often seen in a similar light to assurance procedures and maintaining the distinction between assurance and AUP will be a significant challenge for the NZAuASB.

The NZAuASB is very supportive of the IAASB’s initiative to explore the use of AUP engagements. APS-1, *Statement of Agreed-Upon Procedures Engagement Standards*, was issued in October 1992 by the then New Zealand Society of Accountants. Given the increasing demand for AUP engagements, including from regulators, it is therefore timely, that this project be undertaken. New Zealand is in a unique position, in need of a revised standard, without preconceived ideas of what the end result should look like, to take a forward-looking approach to the development of a new standard which captures the unique characteristics of an AUP engagement while addressing the position of a new AUP standard within the suite of assurance and related services standards.

The NZAuASB is concerned that there is an expectation gap in the market around factual findings versus assurance. The essence of the AUP engagement is one in which the practitioner agrees the procedures to be performed with the entity and specified third parties who have the requisite knowledge and understanding of the entity and the procedures performed to evaluate the results of the procedures performed and draw their own conclusions. When the AUP report is presented to those who are not a party to the engagement, those receiving the report may not fully understand the basis for the engagement nor have the requisite understanding of the systems, controls or procedures performed to be able to evaluate the factual findings and may consequently falsely take assurance from it. The expectation gap and a lack of understanding as to what an AUP engagement is, is a key challenge for any revision to the extant standard.

Care must be taken to ensure that the engaging party doesn't see the AUP engagement as a cheap alternative to an assurance engagement.

We are very interested in this project and are happy to offer our assistance to the task force if needed.

Should you have any queries concerning our submission please contact either myself at the address details provided below or Sylvia van Dyk (sylvia.vandyk@xrb.govt.nz).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Robert Buchanan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Buchanan

Chairman

Email: robert@buchananlaw.co.nz

Submission of the New Zealand Auditing and Assurance Standards Board

IAASB Discussion Paper – Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB’s International Standards.

I Schedule of Responses to the IAASB’s Specific Questions

The Role of Professional Judgement and Professional Scepticism in an AUP Engagement

- 1. Results from the Working Group’s outreach indicate that many stakeholders are of the view that professional judgement has a role in an AUP engagement, particularly in performing the 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 judgement in an AUP engagement? If not, what are your views on the role of professional judgement in an AUP engagement?**

The NZAuASB agrees with the Working Group that professional judgement has a role to play in an AUP engagement, albeit a different, more limited, role to that of professional judgement in an assurance engagement.

The need for professional judgement is more limited in the AUP context than for an assurance engagement, as there is no need to exercise professional judgement in performing or evaluating the findings of the procedures performed. The NZAuASB agrees that AUP engagements should result in objectively verifiable factual findings and not subjective opinions or conclusions.

In an AUP engagement, the NZAuASB considers there is a need for the application of professional judgement:

- when performing engagement acceptance considerations, for example, making a judgement whether the AUP engagement is appropriate in the circumstances and that the users do not actually require some form of assurance engagement.
- to determine whether the procedures to be performed are objective or whether the procedures could potentially be misleading. For example, in the local market our constituents have found that procedures suggested by a client or a regulator often would require the use of professional judgement in performing the procedures and/or are subjective due to a lack of understanding in the market of the nature of an AUP engagement. In these circumstances, the practitioner may need to assist the client in determining appropriate procedures to be performed and with it the appropriate engagement type.
- to determine whether the procedures agreed-upon are appropriate and sufficiently complete to provide the information necessary for the user to evaluate and draw a conclusion. For example, a client may request procedures be performed over invoices to determine that the authorisation process is being followed. However, if the client does not also request procedures be performed to determine completeness of the invoice series, how can the user conclude that theft has not occurred by means of invoice deletion and payment diversion? In such circumstances, the practitioner may suggest additional or alternative procedures to the client, or at least clarify that these procedures do not address certain risks. However, ultimately, it is up to the client to determine the procedures to be performed. A change in procedures could result in the engagement

becoming an assurance engagement, and managing this could also require the exercise of judgement.

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

Professional judgement is intrinsic in all work performed by the practitioner regardless of the nature of the engagement. Accordingly, the NZAuASB does not believe that it is necessary to create a requirement that the practitioner exercise professional judgement.

However, the NZAuASB is supportive of including context (possibly in the introductory section, or in application guidance at appropriate stages of a revised AUP standard) about the role of professional judgement in an AUP engagement, i.e. professional judgement is relevant in the scoping of the engagement and the identification and agreement of the procedures to be performed but not in performing or evaluating those procedures so as to avoid subjectivity. Such discussion or guidance would need 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 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.

Independence of the Professional Accountant

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

Response:

The NZAuASB strongly supports the need for the practitioner performing an AUP engagement to be independent. Independence enhances the value and credibility of an AUP engagement.

Even though the AUP engagement is a two-party engagement, between the practitioner and the engaging party, the demand for AUP engagements is increasing and parties other than the client may seek AUP, for example regulators requiring access to the report from an AUP engagement or the client wanting to publish the results of the engagement or provide the report to other parties that are not signatories to the engagement letter. Such circumstances may increase the risk that an AUP report may end up in the public domain and may be used, by other than the two-parties to the engagement, in a broader context than such report was designed to be used. In these circumstances, it is critical that AUP engagements stand up to the scrutiny associated with the public eye, including that the practitioner is independent in fact and appearance.

However, the NZAuASB acknowledges that there may be limited instances where a client does not require the practitioner to be independent. When this is the case, if the report is distributed only to those users who designed the procedures, and those users acknowledge that they did not require independence and were aware of the reasons a practitioner was not independent, a statement in the AUP report is an appropriate way to manage the issue. However, it would never be appropriate for a practitioner to both prepare information as well as provide factual findings about that information.

It may be useful for the IAASB to further understand the current and potential use of AUP engagements to fully analyse if and when independence is required.

The NZAuASB's view does not change if the AUP report is restricted to specific users, as those reports may, in practice, still be used by those that are not party to the report.

Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report

- 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?**

Response:

Unclear and misleading terminology in an AUP report creates confusion over what is being stated in the report, however, prohibiting terms/terminology may not suit all situations. The practitioner's report on AUP needs to (1) describe the purpose of the agreed-upon procedures and (2) describe the agreed-upon procedures in sufficient detail to enable the user to draw their own conclusions, including listing the procedures performed and the results and exceptions noted.

Educating practitioners in appropriate terminology is critical to ensuring the report on AUP is not unclear or misleading. The NZAuASB believes that the standard should include guidance on terminology that may be unclear or misleading, as well as guidance on terminology that is often used appropriately in practice. However, due to the nature of AUP engagements, there will not be a one-size fits all framework, and wording that is appropriate in one circumstance may not be appropriate in another.

The NZAuASB notes that the use of unclear language often stems from poorly worded requirements in law or regulation. In some situations, the wording can be difficult, if not impossible, for the practitioner to comply with and an alternate type of engagement may be more appropriate.

The NZAuASB's view does not change if the AUP report is restricted to specific users, as those reports may, in practice, still be used by those that are not party to the report.

AUP Engagements on Non-Financial Information

- 5. What are your views regarding clarifying that the scope of ISRS 4400 includes non-financial information, and developing preconditions relating to competence to undertake an AUP engagement on non-financial information?**

Response:

The NZAuASB supports broadening the scope of ISRS 4400 to include non-financial information and notes that practitioners are already performing AUP engagements on non-financial information. Accordingly, clarifying the scope of ISRS 4400 will provide a framework for the practitioner performing these engagements.

There is a risk in any engagement that the practitioner does not have the competence and capabilities to perform the engagement. In both the auditing and other assurance standards, that risk is mitigated by a requirement that the persons who are performing the engagement collectively have the appropriate competence and capabilities to perform the engagement in accordance with the relevant standards and the applicable legal and regulatory environment.

Broadening the scope of ISRS 4400 to include non-financial information may lead to increased use of experts, and therefore the NZAuASB considers that the standard should appropriately address

this factor in additional requirements and application material, as explored in response to question 7.

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

Response:

Other matters that may need to be considered if the scope is clarified to include non-financial information include the potential for overlap with other types of engagement over non-financial information that are already well established and well recognised. The practitioner would need to consider not only whether an AUP engagement is appropriate compared with other engagements performed in accordance with international standards set by the IAASB, but more broadly, whether another type of engagement over non-financial information may be more appropriate than an AUP engagement.

Using the Work of an Expert

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?

Response:

As noted in the response to question 5, the NZAuASB believes that broadening the scope of ISRS 4400 to include non-financial information may lead to more widespread use of experts in AUP engagements. The need for and use of experts for engagements involving financial information is also increasing due to complexities, for example in valuations. Accordingly, enhanced guidance to address the use of experts in AUP engagements may be helpful.

As with any engagement where an expert is used, it will be necessary for the practitioner to evaluate the competence, capabilities and objectivity of the expert to perform the engagement, including meeting any necessary independence requirements.

There are also other matters that the practitioner may need to consider, including:

- Agreeing in writing, with the expert, the procedures to be performed by the expert.
- Consultation with the expert to ensure that the procedures agreed with the user will meet the user's needs.
- Review of the expert's work by the practitioner. It should not simply be assumed that because an expert has performed the procedures, the practitioner's work is done.
- Understanding the procedures performed by the expert and the results and factual findings obtained in sufficient detail to prepare the AUP report.
- Reference in the AUP report to the nature of assistance provided by the expert and the identity of the expert.

Format of the AUP Report

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

We would be particularly interested in receiving illustrative reports that you believe communicate factual findings well.

Response:

The NZAuASB agrees that the illustrative reporting example in ISRS 4400 could be improved.

An illustrative report that presents the procedures and findings in a tabular format, or one that presents each procedure and finding together, will likely facilitate better communication, particularly for engagements involving many procedures. However, the NZAuASB discourages the Working Group against being overly prescriptive with respect to the format of the AUP report. Given the nature of AUP engagements, there is unlikely to be a “one size fits all” form of report. Rather than prescribing a standardised form of report for all AUP engagements, the NZAuASB prefers identifying the required elements that are common to all AUP engagements and allowing flexibility for the practitioner to present the procedures and findings in the most suitable format.

Practical reporting examples are included in the Appendix.

AUP Report Restrictions

- 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?**

Response:

In general, the NZAuASB does not support providing the AUP report to users who are not signatories to the engagement letter.

There were mixed views as to whether there may be circumstances where it is appropriate to provide the report to a party that is not a signatory. For example, in New Zealand the regulator requires a qualified auditor to provide a report of factual findings in respect of the Net Tangible Asset calculation as part of the standard conditions for derivative issuer licenses. (The AUP engagement is required by regulation, and the regulation sets out the procedures to be performed). In such circumstances, when the AUP is required by a regulator, but where that regulator is not a signatory to the engagement letter, some are of the view that provided the party has a clear understanding of the AUP and the conditions of the engagement, it is appropriate for the report to be provided to that party. Others are of the view that a factual findings report should never be provided to a party that is not a signatory to the engagement letter.

In order for such a party to use the report, certain conditions would need to be met, including but not limited to:

- The practitioner has determined that the AUP engagement is the appropriate form of engagement to meet the regulator’s needs.
- The procedures to be performed are determined by an external source, for example, law or regulation, and the regulator has a clear understanding of the procedures to be performed, and the ability to evaluate the results of the procedures performed and draw their own conclusions.

The NZAuASB considers that it would be inappropriate for AUP reports to be used as general use reports as all readers are unlikely to have the necessary context to understand the procedures performed, evaluate the results and draw their own conclusions from the factual findings.

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.

Response:

The NZAuASB supports the third approach to restricting the report, whereby the report includes a statement to the effect that the report is intended solely for the specific users and may not be suitable for any other purposes. This wording strikes an appropriate balance between mitigating the risk of misinterpreting the findings and the convenience of allowing regulators etc. to make use of the report without signing up to the engagement letter.

The NZAuASB further believes that the alert should identify the specified parties for whom the report is intended, and state that the report is not intended to be, and should not be, used by anyone other than the specified parties.

As it is not possible for the practitioner to restrict the distribution of the report, it is, imperative that the report is very clear as to who the intended users of the report are, and alerts other potential users that the report has limitations.

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

The NZAuASB has not identified any other approaches that the Working Group should consider.

Recommendations Made in Conjunction with AUP Engagements

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?

Response:

The NZAuASB does not support the inclusion of recommendations in an AUP report.

Recommendations are often driven by opinion on a matter and are not factual and, accordingly, providing recommendations based on a report on factual findings is not consistent with the nature of an AUP engagement, and therefore is not appropriate. Presenting recommendations in a report on factual findings may create confusion about the nature of the engagement and may imply falsely that a level of assurance can be taken from the report.

However, if provided, recommendations should be presented in a separate report. There is already precedent for this concept, for example, a management letter or process improvements letter in an audit engagement.

- 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.**

Response:

The NZAuASB has identified a number of areas where it believes additional guidance in ISRS 4400 may be useful. These are not necessarily restricted to clarifying the value and limitations of an AUP engagement.

- What is the role of written representations in an AUP engagement? Are they required?
- Is a written assertion required in an AUP engagement?
- The Discussion Paper addresses the use of experts. How and to what extent is it appropriate for the practitioner to use the work of others, for example, internal auditors, in an AUP engagement?
- How does the practitioner address matters that come to their attention that contradict the factual findings? What are the practitioner's obligations?
- What are the practitioner's obligations with respect to information obtained from performing another form of engagement?

Multi-scope Engagements

- 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?**

Response:

Unless required by law or regulation, the NZAuASB considers that multi-scope engagements should be discouraged. Users of a multi-scope engagement report may not understand the difference between the engagement types, creating or adding to confusion about the level of assurance to be taken or lack thereof.

Notwithstanding the previous comment, given the increasing demand for multi-scope engagements, guidance would be helpful.

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

Response:

The NZAuASB agrees that a revised standard addressing AUP engagements should be a priority over developing guidance on multi-scope engagements. In a multi-scope engagement, the practitioner complies with the corresponding IAASB pronouncements. Accordingly, having up-to-date standards on each type of engagement that could be a part of a multi-scope engagement is the best starting point.

Suggestions regarding the nature of guidance on multi-scope engagements you think would be helpful and any examples of multi-scope engagements which you are aware will be welcome and will help to inform further deliberations.

To assist practitioners to prepare a report on a multi-scope engagement, guidance in the following areas would be helpful:

- Incorporating the required elements/items within one document;
- Distinguishing the work performed and the related assurance; and
- Removing duplication.

Similar guidance may also be helpful for the preparation of the engagement letter.

The guidance should also clarify that in performing each piece of the multi-scope engagement, the practitioner is required to follow the relevant international standards.

The NZAuASB is aware of the following examples of multi-scope engagements in New Zealand:

- Standard Conditions for derivatives issuer licences requires a qualified auditor to provide the governing body and the Financial Markets Authority with:
 - a. an assurance report on the design and operating effectiveness of financial resources controls throughout the most recently completed accounting period; and
 - b. a report of factual findings in respect of the Net Tangible Asset calculation as at the end of the most recently completed accounting period on the basis of the audited financial statements.
- The Reserve Bank Registered Bank Orders require an audit of the financial statements and certain supplementary information and a review over capital adequacy and credit and market risk information.
- Under the Gambling Act 2003 Class 4 Gaming entities that apply for a gambling licence must provide the Department of Internal Affairs with audited financial statements, assurance over forecast financial statements, and an agreed-upon procedures report to verify the financial information provided in the Gaming Machine Account Summary form.
- Under the Financial Markets Conduct Regulations 2014, trustee reporting engagements may require a combination of assurance, agreed-upon procedures and other requested reporting in accordance with the Trust Deed.

Submission of the New Zealand Auditing and Assurance Standards Board

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Appendix AUP Reporting Examples

Report 1

[DATE]

Dear Directors

Report to the Board of Directors of ABC

Scope

We have performed the procedures agreed with you in our engagement letter dated [date] with respect to specified income and expenses of ABC (ABC) during the year to 31 December 201X. Our engagement was undertaken in accordance with the basic principles and general guidance set out in the Agreed Upon Procedures Standards and Guidelines of the New Zealand Institute of Chartered Accountants. We disclaim any assumption of responsibility for the adequacy or otherwise of the procedures requested by you.

The procedures were applied to the two months June and September 201X.

The procedures were performed solely to assist you in evaluating the validity of the specified income and expenses. Because the procedures performed do not constitute either an audit or a review, we do not express any assurance on the specified income and expenses.

Our report is solely for your information and is not to be used for any other purpose. This report relates only to the accounts and items specified above and does not extend to any other financial information of ABC.

Work Programme

The detailed checks undertaken are recorded in Appendix 1 for your reference.

Findings

1. Claims paid (to Customers)

We examined all transactions for claims paid from ABC to Customers, examining supporting documentation for each claim, and ensuring the claims paid were accurate, valid and authorised.

We found that all calculations were correct, and that the payments made agreed to the calculations.

In respect of input validity and accuracy and supporting information we noted the following:

- 1.1. Proforma claim 32971 (\$104.40) was charged to run #98 on the June 201X spreadsheet but according to the supporting documentation should have been charged to run #100.
- 1.2. Proforma claim 14029 (\$10.15) was charged to run #7 on the June 201X spreadsheet but according to the supporting documentation should have been charged to run #22.

2. Contractor drivers' income payments (to Contractors)

We examined all contractor drivers' income payments from ABC, ensuring all inputs are valid and accurate, calculations are correct, and that the payments made agree to the calculations

We found that all calculations were correct, and that the payments made agreed to the calculations.

3. Fuel levies paid (to Contractors)

We examined all fuel levies paid to contractors by ABC, ensuring all inputs were valid and accurate, calculations were correct, and that the payments made agreed to the calculations.

4. Railferry charges levied (on Customers)

We examined all rail ferry charges levied on Customers by ABC, ensuring all inputs were valid and accurate, calculations were correct, and that the actual charges levied agreed to the calculations.

We found that calculations were correct, and levies agreed to calculations.

In respect of input validity and accuracy we noted the following:

- 4.1. We found that the daily excess volumes on 16 September 201X had been incorrectly input on September 19 201X. This led to the actual daily excess volumes on 19 September not being input at all. The net results are summarised in the table below.

	September 16 excess (m3) as per email	September 16 excess (m3) as per spreadsheet	Difference at \$35 per (m3)	September 19 excess (m3) as per email	September 19 excess (m3) as per spreadsheet	Difference at \$35 per (m3)
A	-	-	-	-	-	-
B	-	-	-	-	-	-
C	-	-	-	3.5	-	(122.50)
D	-	-	-	1.0	-	(35.00)
E	2.5	-	(87.50)	1.5	2.5	35.00
F	-	-	-	0.5	-	(17.5)
TOTAL	2.5	0	(87.50)	6.5	0	(140.00)

5. Linehaul charges levied (on Customers)

We examined all linehaul charges levied on Customers by ABC, ensuring all inputs were valid and accurate, calculations were correct, and that the actual charges levied agreed to the calculations.

We found that levies agreed to calculations and the calculations were correct and the actual charges levied agreed to the calculations.

In respect of input validity and accuracy and supporting information we noted the following:

- 5.1. The September 201X rurals to be deducted for Nelson was input as 1,801 opposed to 810, a difference of 991 labels. This has led to a difference of \$5,411 in the September monthly sales for Nelson.

We would like to thank _____ and _____ for their assistance during the Agreed Upon Procedures.

Yours faithfully

[name of firm]

APPENDIX 1

ABC agreed upon procedures – detailed proposed steps (determined in [year] and followed in [year]). All apply to two calendar months to be chosen by [name of firm]

1. Claims paid to contractors

If ABC staff do damage, ABC pays the claim to customer. If the contractor does the damage, the contractor may pay full or part of the claim. If the contractor only pays part, ABC will top up to the balance. It is this top up that is required to be checked.

[Name] maintained a spreadsheet collating claims. In addition paper files are kept of contractor's claims with supporting information.

- Check details and total amount of claim against customer form
- Check analysis of contractor contribution
- Check analysis of Regional Franchisee contribution
- Check ABC contribution is accurate and appropriate

2. Contractor payments

- Check fixed daily rate agrees to contract
- Check number of working days correct
- Check depot help fees agree to contract
- Check claims have been calculated correctly (refer item 1., above)
- Check rail ferry shuttle rate agrees to contract
- Check variable fuel allowance agrees to fuel levy calculations (refer item 3., below)
- Check sundry income and sundry debits agree to supporting documentation
- Check all calculations in input sheet
- Check all lines on input sheet link correctly through to the remittance sheets
- Check remittance sheets agree to amounts paid to contractors for those months

3. Fuel levy calculations

- Check fuel price calculated according to contract(s)
- Check fuel price inputs are correct
- Check fuel price calculated correctly
- Check variance over trigger is correct
- Check kilometres per day are correct for each contractor
- Check kms per litres agrees to contract
- Check number of working days is correct
- Check all calculations in the spreadsheet are accurate
- Check the fuel levy agrees to the contractor payments (refer item 3., above)

4. Railferry levies charged to Customers

These are amounts that ABC pays and claims re-imburement from the Customers according to a pre-set formula in a spreadsheet.

- Check days in month
- Check cubic meterage (main and second ferry) allocated agrees to contracts with Customers
- Check rates per cubic metre agree to contracts with Customers
- Check 2% fuel surcharge agrees to contracts with Customers
- Check excess rate per metre charged to Customers is accurate
- Check volume shipped agrees to supporting documentation
- Check all calculations
- Check amount in spreadsheet agrees to amount actually charged to Customers
- Check all charges to Customers are as per calculated

5. Linehaul levy calculation

This is an amount to bring the estimated P&L to zero for the month.

We check the allocation across the Customers, rather than the calculation of the gross total fee for the month (which is effectively an amount required to balance the estimated P&L to zero for the month).

- Check destination label purchases and monthly sales agree to supporting documentation (note these are a year to date figure, so will assume carried forward figure is correct, and check just the two months selected)
- Check rebates allowed
- Check calculations are correct
- Check actual amounts charged to RFs agrees to calculations

Report 2

[Date]

PRIVATE AND CONFIDENTIAL

Dear Directors,

Agreed upon Procedures Report of Factual Findings

We performed the procedures agreed with you and the Tertiary Education Commission (TEC), and outlined below, with respect to the prudential financial standards calculations of ABC as of 31 January 20X6 and 31 January 20X7, set forth in the accompanying schedule. Our engagement was undertaken in accordance with APS-1 Statement of Agreed-upon Procedures Engagement Standard and Guidelines of the New Zealand Institute of Chartered Accountants (NZICA). We disclaim any assumption of responsibility for the adequacy or otherwise of the procedures requested by you. You and the TEC are responsible for determining whether factual findings provided by us, in combination with other information obtained, provide a reasonable basis for any conclusion which you wish to draw on the subject matter.

The procedures were performed solely to assist you and the TEC to assess the ongoing financial viability of ABC and are as follows:

Procedures	Factual Findings	Errors or exceptions identified
1. We obtained the prudential financial standards calculations as at 31 January 20X6 prepared by the PTE	Obtained.	
2. We compared the components of the prudential financial standards calculations as at 31 January 20X6 to the audited financial statements as at 31	We found the amounts compared to be in agreement.	None

January 20X6		
3. We re-performed the prudential financial standards calculations as at 31 January 20X6	We found our recalculations to be the same as the PTE's calculations.	None
4. We obtained the prudential financial standards calculations as at 31 January 20X7 prepared by the PTE	Obtained.	
5. We obtained the prospective financial information as at 31 January 20X7 prepared by the PTE	Obtained.	
6. We checked that the prospective financial information as at 31 January 20X7 was approved by the PTEs governing body	We found the prospective financial information as at 31 January 20X7 were approved by the PTEs governing body.	None
7. We compared the accounting policies and management estimates used for the prospective financial information as at 31 January 20X7 were the same as those used in the reviewed financial statements as at 31 January 20X6	We found the accounting policies and management estimates used for the prospective financial information as at 31 January 20X7 were the same as those used in the reviewed financial statements as at 31 January 20X6.	None
8. We compared the prospective financial information as at 31 January 20X7 to the assumptions set out by the PTE	We found the PTE's assumptions had been used to prepare the prospective financial information as at 31 January 20X7.	None
9. We re-performed the prudential financial standards calculations as at 31 January 20X7	We found our recalculations to be the same as the PTE's calculations.	None

Because the above procedures do not constitute either an audit or a review, we do not express any assurance on the prudential financial standards calculations as of 31 January 20X6 or 31 January 20X7.

Our report is solely for your information, and is intended to be used by the TEC, but is not to be used for any other purpose. This report relates only to the items specified above and does not extend to any financial statements of ABC.

If you have any questions about the content of this letter, please contact us.

Yours faithfully

[name of firm]