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This standard was published in the *Gazette* on 9 April 2026 and takes effect on 7 May 2026. There is an [explanatory note](#) at the end of this standard that includes an explanation of how and from when this standard operates.

International Standard on Related Services (New Zealand) 4400, Agreed-Upon Procedures Engagements

This standard is issued under section 12(b) of the [Financial Reporting Act 2013](#) by the New Zealand Auditing and Assurance Standards Board

- (a) acting under delegated authority of the External Reporting Board (given in accordance with section 73 of the Crown Entities Act 2004); and
- (b) after complying with section 22 of the Financial Reporting Act 2013.

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Schedule 1

Title

- 0.1 This standard is the International Standard on Related Services (New Zealand) 4400, *Agreed-Upon Procedures Engagements*.

Commencement

- 0.2 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019 (see section 27 of the Financial Reporting Act 2013).

Interpretation

0.3 In this standard, **ISRS (NZ) 4400** means the International Standard on Related Services (New Zealand) 4400, *Agreed-Upon Procedures Engagements*.

Application

0.4 The accounting periods in relation to which this standard commences to apply are:

- (a) for an **early adopter**, those accounting periods, following and including, the **early adoption accounting period**.
- (b) for any other practitioner, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.

0.5 In paragraph 0.4:

early adopter means a practitioner that applies this standard for an early adoption accounting period.

early adoption accounting period means the accounting period:

- (a) that begins before the mandatory date but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter:
 - (i) first applies this standard for any assurance engagement; and
 - (ii) discloses in the practitioner's report for that accounting period that this standard has been applied for that period.

mandatory date means 15 December 2026.

Revocation

0.6 The standard International Standard on Related Services (New Zealand) 4400, *Agreed-Upon Procedures Engagements* issued in February 2021 is revoked on the date that this standard takes effect.

0.7 To avoid doubt, that standard continues to apply in relation to accounting periods that begin before 15 December 2026 for those assurance practitioners that are not early adopters of this standard.

Transitional, savings, and related provisions

0.8 The transitional, savings, and related provisions (if any) set out in Schedule 1 have effect according to their terms.

Introduction

Scope of this ISRS (NZ)

1. This International Standard on Related Services (New Zealand) (ISRS (NZ)) deals with:
 - (a) The practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement; and
 - (b) The form and content of the agreed-upon procedures report.

NZ1.1 This standard must be read in conjunction with the External Reporting Board Standard Au1, *Application of Auditing and Assurance Standards*.

2. This ISRS (NZ) applies to the performance of agreed-upon procedures engagements on financial or non-financial subject matters. (Ref: Para. A1–A2)

Relationship with Professional and Ethical Standard 3¹

3. The system of quality management, and policies or procedures are the responsibility of the firm. Professional and Ethical Standard 3 apply to firms in respect of a firm's agreed-upon procedures engagements.² The provisions of this ISRS (NZ) regarding quality management at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to Professional and Ethical Standard 3 or requirements that are at least as demanding. (Ref: Para. A3–A8)

The Agreed-Upon Procedures Engagement

4. In an agreed-upon procedures engagement, the practitioner performs the procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner communicates the agreed-upon procedures performed and the related findings in the agreed-upon procedures report. The engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.
5. The value of an agreed-upon procedures engagement performed in accordance with this ISRS (NZ) results from:
 - (a) The practitioner's compliance with professional standards, including relevant ethical requirements; and
 - (b) Clear communication of the procedures performed and the related findings.
6. An agreed-upon procedures engagement is not an audit, review or other assurance engagement. An agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or an assurance conclusion in any form.

Authority of this ISRS (NZ)

7. This ISRS (NZ) contains the objectives of the practitioner in following the ISRS (NZ), which provide the context in which the requirements of this ISRS (NZ) are set. The objectives are

¹ Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² Professional and Ethical Standard 3, paragraph 5

intended to assist the practitioner in understanding what needs to be accomplished in an agreed-upon procedures engagement.

8. This ISRS (NZ) contains requirements, expressed using “shall,” that are designed to enable the practitioner to meet the stated objectives.
9. In addition, this ISRS (NZ) contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of this ISRS (NZ).
10. The application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ISRS (NZ) that assists in the application of the requirements.

Effective Date

11. [See paragraphs 0.2, 0.4 and 0.5]

Objectives

12. The practitioner’s objectives in an agreed-upon procedures engagement under this ISRS (NZ) are to:
 - (a) Agree with the engaging party the procedures to be performed;
 - (b) Perform the agreed-upon procedures; and
 - (c) Communicate the procedures performed and the related findings in accordance with the requirements of this ISRS (NZ).

Definitions

13. For purposes of this ISRS (NZ), the following terms have the meanings attributed below:
 - (a) Agreed-upon procedures – Procedures that have been agreed to by the practitioner and the engaging party (and if relevant, other parties). (Ref: Para. A10)
 - (b) Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party (and if relevant, other parties) have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report. (Ref: Para. A10)
 - (c) Engagement partner³ – The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
 - (d) Engaging party – The party(ies) that engage(s) the practitioner to perform the agreed-upon procedures engagement. (Ref: Para. A11)
 - (e) Engagement team – All partners and staff performing the agreed-upon procedures engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner's external expert.

³ “Engagement partner”, “partner”, and “firm” should be read as referring to their public sector equivalents where relevant.

- (f) Findings – Findings are the factual results of agreed-upon procedures performed. Findings are capable of being objectively verified. References to findings in this ISRS (NZ) exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. (Ref: Para. A12–A13)
- (g) Intended users – The individual(s) or organisation(s), or group(s) that the practitioner expects will use the agreed-upon procedures report. In some cases, there may be intended users other than those to whom the agreed-upon procedures report is addressed. (Ref: Para. A10)
- (h) Practitioner – The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm)⁴. Where this ISRS (NZ) expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "practitioner" is used.
- (i) Practitioner's expert – An individual or organisation possessing expertise in a field other than assurance and related services, whose work in that field is used to assist the practitioner in fulfilling the practitioner's responsibilities for the agreed-upon procedures engagement. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external expert. (Ref: Para.A47)
- (j) Professional judgement - The application of relevant training, knowledge and experience, within the context provided by this ISRS (NZ) and relevant ethical requirements, in making informed decisions about the courses of action that are appropriate in the circumstances of the agreed-upon procedures engagement.
- (k) Relevant ethical requirements – Principles of professional ethics and ethical requirements that are applicable to the engagement team when undertaking agreed-upon procedures engagements. Relevant ethical requirements ordinarily comprise the provisions of Professional and Ethical Standard (PES) 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* together with national requirements that are more restrictive.
- (l) Responsible party - The party(ies) responsible for the subject matter on which the agreed-upon procedures are performed.

Requirements

Conduct of an Agreed-Upon Procedures Engagement in Accordance with this ISRS (NZ)

14. The practitioner shall have an understanding of the entire text of this ISRS (NZ), including its application and other explanatory material, to understand its objectives and to apply its requirements properly.

Complying with Relevant Requirements

15. The practitioner shall comply with each requirement of this ISRS (NZ) unless a particular requirement is not relevant to the agreed-upon procedures engagement, for example, if the circumstances addressed by the requirement do not exist in the engagement.

⁴ The practitioner may be in public practice, industry, commerce or the public sector.

16. The practitioner shall not represent compliance with this ISRS (NZ) unless the practitioner has complied with all requirements of this ISRS (NZ) relevant to the agreed-upon procedures engagement.

Relevant Ethical Requirements

17. The practitioner shall comply with relevant ethical requirements. (Ref: Para. A14–A20)

Professional Judgement

18. The practitioner shall exercise professional judgement in accepting, conducting and reporting on an agreed-upon procedures engagement, taking into account the circumstances of the engagement. (Ref: Para. A21–A23)

Engagement Level Quality Management

19. The engagement partner shall take overall responsibility for:
- (a) Managing and achieving quality on the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert, and being sufficiently and appropriately involved throughout the engagement; and (Ref: Para. A24)
 - (b) The engagement being performed in accordance with the firm's quality management policies or procedures by:
 - (i) Following the firm's policies or procedures regarding the acceptance and continuance of client relationships and agreed-upon procedures engagements; (Ref: Para. A25)
 - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;
 - (iii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including having sufficient time, to perform the agreed-upon procedures engagement;
 - (iv) Being alert for indications of breaches of relevant ethical requirements by members of the engagement team, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have breached relevant ethical requirements; (Ref: Para. A26)
 - (v) Directing and supervising engagement team members, reviewing their work, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and
 - (vi) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained.
 - (vii) When an engagement quality review is required in accordance with Professional and Ethical Standard 3 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.⁵

⁵ Professional and Ethical Standard 4, *Engagement Quality Reviews*

20. If the work of a practitioner's expert is to be used, the engagement partner shall be satisfied that the practitioner will be able to be involved in the work of a practitioner's expert to an extent that is sufficient to take responsibility for the findings included in the agreed-upon procedures report. (Ref: Para. A27)

Engagement Acceptance and Continuance

21. Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the agreed-upon procedures engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A28–A31)
22. The practitioner shall accept or continue the agreed-upon procedures engagement only when: (Ref: Para. A28–A31)
 - (a) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement;
 - (b) The practitioner expects to be able to obtain the information necessary to perform the agreed-upon procedures;
 - (c) The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; (Ref: Para. A32–A36)
 - (d) The practitioner has no reason to believe that relevant ethical requirements will not be complied with; and
 - (e) If the practitioner is required to comply with independence requirements, the practitioner has no reason to believe that the independence requirements will not be complied with. (Ref: Para. A37–A38)
23. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been known by the firm prior to accepting or continuing the engagement, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.

Agreeing the Terms of the Engagement

24. The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party and record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. These terms shall include the following: (Ref: Para. A39–A40)
 - (a) Identification of the subject matter(s) on which the agreed-upon procedures will be performed;
 - (b) The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party;
 - (c) If applicable, the responsible party as identified by the engaging party, and a statement that the agreed-upon procedures engagement is performed on the basis that the responsible party is responsible for the subject matter on which the agreed-upon procedures are performed;

- (d) Acknowledgement of the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures engagement;
 - (e) A statement as to whether the practitioner is required to comply with independence requirements and, if so, the relevant independence requirements; (Ref: Para. A37–A38)
 - (f) The nature of the agreed-upon procedures engagement, including statements that:
 - (i) An agreed-upon procedures engagement involves the practitioner performing the procedures agreed with the engaging party (and if relevant, other parties), and reporting the findings; (Ref: Para. A10)
 - (ii) Findings are the factual results of the agreed-upon procedures performed; and
 - (iii) An agreed-upon procedures engagement is not an assurance engagement and accordingly, the practitioner does not express an opinion or an assurance conclusion;
 - (g) Acknowledgement by the engaging party (and if relevant, other parties) that the agreed-upon procedures are appropriate for the purpose of the engagement; (Ref: Para. A10)
 - (h) Identification of the addressee of the agreed-upon procedures report;
 - (i) The nature, timing and extent of the procedures to be performed, described in terms that are clear, not misleading and not subject to varying interpretations; and (Ref: Para. A41–A42)
 - (j) Reference to the expected form and content of the agreed-upon procedures report.
25. If the agreed-upon procedures are modified during the course of the engagement, the practitioner shall agree amended terms of engagement with the engaging party that reflect the modified procedures. (Ref: Para. A43)

Recurring Agreed-Upon Procedures Engagements

26. On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the firm's judgements about whether to accept or continue the engagement, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)

Performing the Agreed-Upon Procedures

27. The practitioner shall perform the procedures as agreed upon in the terms of the engagement.
28. The practitioner shall consider whether to request written representations. (Ref: Para. A45)

Using the Work of a Practitioner's Expert

29. If the practitioner uses the work of a practitioner's expert, the practitioner shall: (Ref: Para. A46–A47, A50)
- (a) Evaluate the competence, capabilities and objectivity of the practitioner's expert;
 - (b) Agree with the practitioner's expert on the nature, scope and objectives of that expert's work; (Ref: Para. A48–A49)
 - (c) Determine whether the nature, timing and extent of the work performed by the practitioner's expert is consistent with the work agreed with the expert; and

- (d) Determine whether the findings adequately describe the results of the work performed, taking into account the work performed by the practitioner's expert.
30. If, based on the evaluation in accordance with paragraph 29(a), the practitioner concludes that the practitioner's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the practitioner shall not use the work of that expert. (Ref: Para. A51–A52)

The Agreed-Upon Procedures Report

31. The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A53)
- (a) A title that clearly indicates that the report is an agreed-upon procedures report;
 - (b) An addressee as set forth in the terms of the engagement;
 - (c) Identification of the subject matter on which the agreed-upon procedures are performed; (Ref: Para. A54)
 - (d) Identification of the purpose of the agreed-upon procedures report and a statement that the agreed-upon procedures report may not be suitable for another purpose; (Ref: Para. A55–A56)
 - (e) A description of an agreed-upon procedures engagement stating that:
 - (i) An agreed-upon procedures engagement involves the practitioner performing the procedures that have been agreed with the engaging party (and if relevant, other parties), and reporting the findings; (Ref: Para. A10)
 - (ii) Findings are the factual results of the agreed-upon procedures performed; and
 - (iii) The engaging party (and if relevant, other parties) has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement; (Ref: Para. A10)
 - (f) If applicable, the responsible party as identified by the engaging party, and a statement that the responsible party is responsible for the subject matter on which the agreed-upon procedures are performed;
 - (g) A statement that the engagement was performed in accordance with ISRS (NZ) 4400;
 - (h) A statement that the practitioner makes no representation regarding the appropriateness of the agreed-upon procedures;
 - (i) A statement that the agreed-upon procedures engagement is not an assurance engagement and accordingly, the practitioner does not express an opinion or an assurance conclusion;
 - (j) A statement that, had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported;
 - (k) A statement that the practitioner complies with the ethical requirements of Professional and Ethical Standard 1, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding;
 - (l) With respect to independence:
 - (i) If the practitioner is not required to be independent and has not otherwise agreed in the terms of engagement to comply with independence requirements, a statement that, for the purpose of the engagement, there are no independence requirements with which the practitioner is required to comply; or

- (ii) If the practitioner is required to be independent or has agreed in the terms of engagement to comply with independence requirements, a statement that the practitioner has complied with the relevant independence requirements. The statement shall identify the relevant independence requirements;
 - (m) A statement that the firm of which the practitioner is a member applies Professional and Ethical Standard 3, or other professional requirements, or requirements in law or regulation, that are at least as demanding as Professional and Ethical Standard 3. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as Professional and Ethical Standard 3;
 - (n) A description of the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure as agreed in the terms of the engagement; (Ref: Para. A57–A59)
 - (o) The findings from each procedure performed, including details on exceptions found; (Ref: Para. A57–A59)
 - (p) The practitioner’s signature;
 - (q) The date of the agreed-upon procedures report; and
 - (r) The location in the jurisdiction where the practitioner practices.
32. If the practitioner refers to the work performed by a practitioner’s expert in the agreed-upon procedures report, the wording of the report shall not imply that the practitioner’s responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert. (Ref: Para.A60)
33. If the practitioner provides a summary of findings in the agreed-upon procedures report in addition to the description of findings as required by paragraph 31(o):
- (a) The summary of findings shall be described in a manner that is objective, in terms that are clear, not misleading, and not subject to varying interpretations; and
 - (b) The agreed-upon procedures report shall include a statement indicating that reading the summary is not a substitute for reading the complete report.
34. The practitioner shall date the agreed-upon procedures report no earlier than the date on which the practitioner completed the agreed-upon procedures and determined the findings in accordance with this ISRS (NZ).

Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement

35. The agreed-upon procedures report shall be clearly distinguished from reports on other engagements. (Ref: Para.A61)

Documentation

36. The practitioner shall include in the engagement documentation: (Ref: Para.A62)
- (a) The written terms of engagement and, if applicable, the agreement of the engaging party as to modifications to the procedures;
 - (b) The nature, timing and extent of the agreed-upon procedures performed; and
 - (c) The findings resulting from the agreed-upon procedures performed.

Application and Other Explanatory Material

Scope of this ISRS (NZ) (Ref: Para. 2)

- A1. Reference to “subject matters” in this ISRS (NZ) encompasses anything on which agreed-upon procedures are performed, including information, documents, measurements or compliance with laws and regulations, as relevant.
- A2. Examples of financial and non-financial subject matters on which an agreed-upon procedures engagement may be performed include:
- Financial subject matters relating to:
 - The entity’s financial statements or specific classes of transactions, account balances or disclosures within the financial statements.
 - Eligibility of expenditures claimed from a funding program.
 - Revenues for determining royalties, rent or franchise fees based on a percentage of revenues.
 - Capital adequacy ratios for regulatory authorities.
 - Non-financial subject matters relating to:
 - Numbers of passengers reported to a civil aviation authority.
 - Observation of destruction of fake or defective goods reported to a regulatory authority.
 - Data generating processes for lottery draws reported to a regulatory authority.
 - Volume of greenhouse gas emissions reported to a regulatory authority.

The above list is not exhaustive. Additional types of subject matters may arise as external reporting demands evolve.

Relationship with Professional and Ethical Standard 3 (Ref: Para. 3)

- A3. Professional and Ethical Standard 3 deals with the firm’s responsibilities to design, implement and operate a system of quality management for related services engagements, including agreed-upon procedures engagements.⁶ Professional and Ethical Standard 3 also deals with the firm’s responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. Professional and Ethical Standard 4 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.⁷
- A4. Under Professional and Ethical Standard 3, the objective of the firm is to design, implement and operate a system of quality management for related services engagements, including agreed-upon procedures engagements, that provides the firm with reasonable assurance that:

⁶ Professional and Ethical Standard 3, paragraph 2(a)

⁷ Professional and Ethical Standard 3, paragraph 2(b)

- (a) The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁸
- A5. A jurisdiction that has not adopted Professional and Ethical Standard 3 in relation to agreed-upon procedures engagements may set out requirements for quality management in firms performing such engagements. The provisions of this ISRS (NZ) regarding quality management at the engagement level are premised on the basis that quality management requirements adopted are at least as demanding as those of Professional and Ethical Standard 3. This is achieved when those requirements address the requirements of Professional and Ethical Standard 3 and impose obligations on the firm to achieve the objective of Professional and Ethical Standard 3. Compliance with Professional and Ethical Standard 3 requires, among other things, that the firm's system of quality management addresses the following eight components:⁹
- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources
- (g) Information and communication; and
- (h) The monitoring and remediation process.
- A6. Within the context of the firm's system of quality management, engagement teams have a responsibility to implement policies or procedures applicable to the engagement.
- A7. Ordinarily, the engagement team may depend on the firm's system of quality management unless:
- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
 - Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may depend on the firm's system of quality management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and agreed-upon procedures engagements.

⁸ Professional and Ethical Standard 3, paragraph 16

⁹ Professional and Ethical Standard 3, paragraph 8

- Adherence to legal and regulatory requirements through the firm’s monitoring and remediation process.

In considering deficiencies¹⁰ identified in the firm’s system of quality management that may affect the agreed-upon procedures engagement, the engagement partner may consider the remedial actions undertaken by the firm to address those deficiencies that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.

- A8. A deficiency in the firm’s system of quality management does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.

Effective Date (Ref: Para. 11)

- A9. [Deleted by the NZAuASB]

Definitions

Engaging Party and Other Intended Users (Ref: Para. 13(a), 13(b), 13(d), 13(g), 24(f)(i), 24(g), 31(e)(i), 31(e)(iii))

- A10. In some circumstances, the procedures may be agreed with intended users in addition to the engaging party. Intended users other than the engaging party may also acknowledge the appropriateness of the procedures.

- A11. The engaging party may be, under different circumstances, the responsible party, a regulator or other intended user. References to the engaging party in this ISRS (NZ) include multiple engaging parties when relevant.

Findings (Ref: Para. 13(f))

- A12. Findings are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results. Findings exclude the expression of an opinion or a conclusion as well as any recommendations that the practitioner may make.

- A13. Practitioners may use the term “factual findings” in place of “findings”, for example, in cases when the practitioner is concerned that the term “findings” may be misunderstood. This may be the case in jurisdictions or languages where the term “findings” may be understood as including results that are not factual.

Relevant Ethical Requirements (Ref: Para. 17)

Objectivity and Independence

- A14. A practitioner performing an agreed-upon procedures engagement is required to comply with relevant ethical requirements. Relevant ethical requirements ordinarily comprise Professional and Ethical Standard 1, together with national requirements that are more restrictive. Professional and Ethical Standard 1 requires practitioners to comply with fundamental principles including objectivity, which requires practitioners not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence or undue reliance on, individuals, organisations, technology, or other factors. Accordingly,

¹⁰ Professional and Ethical Standard 3, paragraph 18(a)

relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement.

A15. Professional and Ethical Standard 1 does not contain independence requirements for agreed-upon procedures engagements. However, national ethical codes, laws or regulations, other professional requirements, or conditions of a contract, program, or arrangement relating to the subject matter for the agreed-upon procedures engagement may specify requirements pertaining to independence.

*Non-Compliance with Laws and Regulations*¹¹

A16. Law, regulation or relevant ethical requirements may:

- (a) Require the practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.¹²

A17. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:

- (a) Law, regulation or relevant ethical requirements require the practitioner to report;
- (b) The practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements; or
- (c) Law, regulation or relevant ethical requirements provide the practitioner with the right to do so.

A18. The practitioner is not expected to have a level of understanding of laws and regulations beyond that necessary to be able to perform the agreed-upon procedures engagement. However, law, regulation or relevant ethical requirements may expect the practitioner to apply knowledge, professional judgement and expertise in responding to identified or suspected non-compliance. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

A19. In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the practitioner's duty of confidentiality under law, regulation or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.¹³

A20. The practitioner may consider consulting internally (e.g., within the firm or network firm), obtaining legal advice to understand the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulations or would breach the duty of confidentiality).¹⁴

¹¹ Relevant ethical requirements may indicate that non-compliance with laws and regulations includes fraud. See, for example, 360.5 A2 of Professional and Ethical Standard 1.

¹² See, for example, paragraphs R360.36 to 360.36 A3 of Professional and Ethical Standard 1.

¹³ See, for example, paragraphs R114.1, 114.1 A1 and R360.37 of Professional and Ethical Standard 1.

¹⁴ See, for example, paragraph 360.39 A1 of Professional and Ethical Standard 1.

Professional Judgement (Ref: Para. 18)

A21. Professional judgement is exercised in applying the requirements of this ISRS (NZ) and relevant ethical requirements, and in making informed decisions about courses of action throughout the agreed-upon procedures engagement, as appropriate.

A22. In accepting, conducting and reporting on an agreed-upon procedures engagement, professional judgement is exercised, for example, in:

Accepting the engagement

- Discussing and agreeing with the engaging party (and if relevant, other parties) the nature, timing and extent of the procedures to be performed (taking into account the purpose of the engagement).
- Determining whether engagement acceptance and continuance conditions have been met.
- Determining the resources necessary to carry out the procedures as agreed in the terms of the engagement, including the need to involve a practitioner's expert.
- Determining appropriate actions if the practitioner becomes aware of facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.

Conducting the engagement

- Determining appropriate actions or responses if, when performing the agreed-upon procedures, the practitioner becomes aware of:
 - Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.
 - Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement or that indicate that the information may be misleading.
 - Procedures that cannot be performed as agreed.

Reporting on the engagement

- Describing the findings in an objective manner and in sufficient detail, including when exceptions are found.

A23. In conducting the agreed-upon procedures engagement, the need for the practitioner to exercise professional judgement when performing the agreed-upon procedures is limited for reasons including:

- An agreed-upon procedures engagement involves the performance of procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement.
- The agreed-upon procedures and the findings that result from performing those procedures are capable of being described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.
- The findings are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results.

Engagement Level Quality Management (Ref: Para. 19–20)

- A24. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking overall responsibility for managing and achieving quality on each engagement, emphasise the importance to achieving the quality of the engagement of:
- (a) Performing work that complies with professional standards and regulatory and legal requirements;
 - (b) Complying with the firm’s policies or procedures as applicable; and
 - (c) Issuing the practitioner’s report for the engagement in accordance with this ISRS (NZ).
- A25. Professional and Ethical Standard 3 requires the firm to establish quality objectives dealing with the appropriateness of its judgements about whether to accept or continue a client relationship or engagement based on information obtained about the nature and circumstances of the agreed-upon procedures engagement and the integrity and ethical values of the client (including management and, when appropriate, those charged with governance) that is sufficient to support such judgements. If the engagement partner has cause to doubt management’s integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.
- A26. Professional and Ethical Standard 3 sets out the responsibilities of the firm for establishing quality objectives that address the fulfilment of responsibilities in relation to relevant ethical requirements. This ISRS (NZ) sets out the engagement partner’s responsibilities with respect to the engagement team’s compliance with relevant ethical requirements.¹⁵
- A27. If the practitioner is unable to meet the requirement in paragraph 20, it may be appropriate for the practitioner to agree with the engaging party to limit the scope of the agreed-upon procedures engagement to procedures for which the practitioner can appropriately take responsibility. The engaging party may separately engage an expert to perform the other procedures.

Engagement Acceptance and Continuance (Ref: Para. 21–23)

- A28. In obtaining an understanding of the purpose of the agreed-upon procedures engagement, the practitioner may become aware of indications that the procedures the practitioner is asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. For example, the practitioner may be aware of facts or circumstances that indicate:
- The procedures are selected in a manner intended to bias the intended users’ decision-making.
 - The subject matter on which the agreed-upon procedures are performed is unreliable.
 - An assurance engagement or advisory service may better serve the needs of the engaging party or other intended users.
- A29. Other actions that may satisfy the practitioner that the conditions in paragraphs 21 and 22 are met include:
- Comparing the procedures to be performed with written requirements set out, for example, in law or regulation, or in a contractual agreement (sometimes referred to as the “Terms of Reference”), where appropriate.

¹⁵ Professional and Ethical Standard 3, paragraph 31

- Requesting the engaging party to:
 - Distribute a copy of the anticipated procedures and the form and content of the agreed-upon procedures report as set out in the terms of engagement to the intended user(s).
 - Obtain acknowledgement from the intended user(s) of the procedures to be performed.
 - Discuss the procedures to be performed with appropriate representatives of the intended user(s).
- Reading correspondence between the engaging party and other intended user(s) if the engaging party is not the only intended user.

A30. If the conditions in paragraphs 21 and 22 are not met, it is unlikely that an agreed-upon procedures engagement is able to meet the needs of the engaging party or other intended users. In such circumstances, the practitioner may suggest other services, such as an assurance engagement, that may be more appropriate.

A31. All the conditions in paragraphs 21 and 22 also apply to procedures that have been added or modified during the course of the engagement.

Descriptions of Agreed-Upon Procedures and Findings (Ref: Para. 22(c))

A32. The procedures to be performed during the agreed-upon procedures engagement may be prescribed by law or regulation. In some circumstances, law or regulation may also prescribe the way the procedures or findings are to be described in the agreed-upon procedures report. As set out in paragraph 22(c), a condition of accepting an agreed-upon procedures engagement is that the practitioner has determined that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.

A33. Agreed-upon procedures are described objectively, in terms that are clear, not misleading, and not subject to varying interpretations. This means that they are described at a level of specificity sufficient for an intended user to understand the nature and extent and if applicable, the timing, of the procedures performed. It is important to recognize that any term could potentially be used in an unclear or misleading manner, depending on context or the absence thereof. Assuming that the terms are appropriate in the context in which they are used, examples of descriptions of actions that may be acceptable include:

- Confirm.
- Compare.
- Agree.
- Trace.
- Inspect.
- Inquire.
- Recalculate.
- Observe.

A34. Terms that may be unclear, misleading, or subject to varying interpretations depending on the context in which they are used, may include, for example:

- Terms that are associated with assurance under the standards issued by the New Zealand Auditing and Assurance Standards Board such as “present fairly” or “true and fair,” “audit,” “review,” “assurance,” “opinion,” or “conclusion.”
- Terms that imply expression of an assurance opinion or conclusion such as “we certify,” “we verify,” “we have ascertained” or “we have ensured” with regard to the findings.
- Unclear or vague phrases such as “we obtained all the explanations and performed such procedures as we considered necessary.”
- Terms that are subject to varying interpretations such as “material” or “significant.”
- Imprecise descriptions of procedures such as “discuss,” “evaluate,” “test,” “analyse” or “examine” without specifying the nature and extent, and if applicable, the timing, of the procedures to be performed. For example, using the word “discuss” may be imprecise without specifying with whom the discussion is held or the specific questions asked.
- Terms that suggest that the findings do not reflect factual results such as “in our view,” “from our perspective” or “we take the position that.”

A35. For example, a procedure such as “review cost allocations to determine if they are reasonable” is unlikely to meet the condition for terms to be clear, not misleading, or not subject to varying interpretations because:

- The term “review” may be misinterpreted by some users to mean that the cost allocation was the subject of a limited assurance engagement even though no such assurance is intended by the procedure.
- The term “reasonable” is subject to varying interpretations as to what constitutes “reasonable.”

A36. In circumstances when law or regulation specifies a procedure or describes a procedure using terms that are unclear, misleading, or subject to varying interpretations, the practitioner may satisfy the condition in paragraph 22(c) by, for example, requesting the engaging party to:

- Modify the procedure or the description of the procedure so that it is no longer unclear, misleading, or subject to varying interpretations.
- If a term that is unclear, misleading or subject to varying interpretations cannot be amended, for example because of law or regulation, include a definition of the term in the agreed-upon procedures report.

Compliance with Independence Requirements (Ref: Para. 22(e), 24(e))

A37. Paragraph 22(e) applies when the practitioner is required to comply with independence requirements for reasons such as those set out in paragraph A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply with independence requirements. For example, the practitioner may have initially determined that the practitioner is not required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering acceptance and continuance of the engagement or agreeing the terms of engagement, the practitioner’s knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:

- The purpose of the agreed-upon procedures engagement;

- The identity of the engaging party, other intended users and responsible party (if different from the engaging party);
- The nature, timing and extent of the procedures to be performed; or
- Other engagements that the practitioner is performing or has performed for the engaging party, other intended users or the responsible party (if different from the engaging party).

A38. The practitioner may be the auditor of the financial statements of the engaging party (or responsible party if different from the engaging party). In such a circumstance, if the practitioner is also engaged to conduct an agreed-upon procedures engagement, intended users of the agreed-upon procedures report may assume that the practitioner is independent for the purpose of the agreed-upon procedures engagement. Therefore, the practitioner may agree with the engaging party that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. In such a case, a statement that the practitioner is required to comply with such independence requirements is included in the terms of the engagement, in accordance with paragraph 24(e).

Agreeing the Terms of the Engagement (Ref: Para. 24–25)

A39. When relevant, additional matters may be included in the engagement letter, for example:

- Arrangements concerning the involvement of a practitioner's expert in some aspects of the agreed-upon procedures engagement.
- Any restrictions on the use or distribution of the agreed-upon procedures report.

A40. An illustrative engagement letter for an agreed-upon procedures engagement is set out in Appendix 1.

A41. The practitioner may agree with the engaging party that the procedures to be performed will include quantitative thresholds for determining exceptions. If so, these quantitative thresholds are included in the descriptions of the procedures in the terms of the engagement.

A42. In some circumstances, law or regulation may prescribe only the nature of the procedures to be performed. In such circumstances, in accordance with paragraph 24(i), the practitioner agrees the timing and extent of procedures to be performed with the engaging party so that the engaging party has a basis to acknowledge that the procedures to be performed are appropriate for the purpose of the engagement.

A43. In some circumstances, agreeing the terms of engagement and performing the agreed-upon procedures takes place in a linear and discrete manner. In other circumstances, agreeing the terms of engagement and performing the agreed-upon procedures is an iterative process, with changes to the agreed-upon procedures being agreed as the engagement progresses in response to new information coming to light. If procedures that have been previously agreed upon need to be modified, paragraph 25 requires the practitioner to agree the amended terms of engagement with the engaging party. The amended terms of engagement may, for example, take the form of an updated engagement letter, an addendum to an existing engagement letter, or other form of written acknowledgement.

Recurring Engagements (Ref: Para. 26)

A44. The practitioner may decide not to send a new engagement letter or other written agreement for a recurring engagement. However, the following factors may indicate that it is appropriate to

revise the terms of the engagement, or to remind the engaging party of the existing terms of the engagement:

- Any indication that the engaging party misunderstands the purpose of the agreed-upon procedures engagement or the nature, timing or extent of the agreed-upon procedures.
- Any revised or special terms of the engagement, including any changes in the previously agreed-upon procedures.
- A change in legal, regulatory or contractual requirements affecting the engagement.
- A change in management or those charged with governance of the engaging party.

Performing the Agreed-Upon Procedures (Ref: Para. 28)

A45. The practitioner may decide to request written representations in some circumstances, for example:

- If the agreed-upon procedures involve inquiries, the practitioner may request written representations on the responses that have been provided verbally.
- If the engaging party is not the responsible party, the practitioner may agree with the engaging party to include, as an agreed-upon procedure, requests for written representations from the responsible party.

Using the Work of a Practitioner's Expert (Ref: Para. 29)

A46. Using the work of a practitioner's expert may involve the use of an expert to assist the practitioner in:

- Discussing with the engaging party the agreed-upon procedures to be performed. For example, a lawyer may provide suggestions to the practitioner on the design of a procedure to address legal aspects of a contract; or
- Performing one or more of the agreed-upon procedure(s). For example, a chemist may perform one of the agreed-upon procedures such as determining the toxin levels in a sample of grains.

A47. A practitioner's expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm's system of quality management. Ordinarily, the practitioner may depend on the firm's system of quality management, unless:

- The practitioner's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.

The extent of that dependence will vary with the circumstances and may affect the nature, timing and extent of the practitioner's procedures with respect to matters such as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner's evaluation of the objectivity of the practitioner's expert.
- Agreement with the practitioner's expert.

Such dependence does not reduce the practitioner's responsibility to meet the requirements of this ISRS (NZ).

A48. If the practitioner's expert is performing one or more of the agreed-upon procedure(s), the agreement of the nature, scope and objectives of that expert's work as required by paragraph 29(b) includes the nature, timing and extent of the procedure(s) to be performed by the practitioner's expert. In addition to the matters required by paragraph 29(b), it may be appropriate for the practitioner's agreement with the practitioner's expert to include matters such as the following:

- (a) The respective roles and responsibilities of the practitioner and that expert;
- (b) The nature, timing and extent of communication between the practitioner and that expert, including the form of any report to be provided by that expert; and
- (c) The need for the practitioner's expert to observe confidentiality requirements.

A49. The matters noted in paragraph A47 may affect the level of detail and formality of the agreement between the practitioner and the practitioner's expert, including whether it is appropriate that the agreement be in writing. The agreement between the practitioner and the practitioner's external expert is often in the form of an engagement letter.

A50. When the work of a practitioner's expert is to be used, it may be appropriate to perform some of the procedures required by paragraph 29 at the engagement acceptance or continuance stage.

Prohibition on Using the Work of a Practitioner's Expert (Ref: Para. 30)

A51. Using the work of a practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the practitioner's purposes would affect the practitioner's fulfilment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.

A52. Relevant ethical requirements may also prohibit the practitioner from using the work of a practitioner's expert if the practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the practitioner's purposes.¹⁶

The Agreed-Upon Procedures Report (Ref: Para. 31–34)

A53. Appendix 2 contains illustrations of agreed-upon procedures reports.

Subject Matter on which the Agreed-Upon Procedures Are Performed (Ref: Para. 31(c))

A54. If applicable, to avoid misunderstanding, the practitioner may wish to clarify that the agreed-upon procedures report does not extend to information beyond subject matters on which the agreed-upon procedures are performed. For example, if the practitioner was engaged to perform agreed-upon procedures on an entity's accounts receivable and inventory, the practitioner may wish to include a statement that the agreed-upon procedures report relates only to these accounts and does not extend to the entity's financial statements taken as a whole.

Purpose of the Agreed-Upon Procedures Report (Ref: Para. 31(d))

A55. In addition to the statement required by paragraph 30(d), the practitioner may consider it appropriate to indicate that the agreed-upon procedures report is intended solely for the

¹⁶ See, for example, paragraph R390.21 of Professional and Ethical Standard 1 related to using the work of an external expert.

engaging party and the intended users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the agreed-upon procedures report. In some jurisdictions, it may be possible to restrict the use of the agreed-upon procedures report but not its distribution. In other jurisdictions, it may be possible to restrict the distribution of the agreed-upon procedures report but not its use.

A56. Factors that the practitioner may consider in deciding whether to restrict the distribution or use of agreed-upon procedures report (if permitted to do so) include, for example whether:

- There is an elevated risk of users other than the intended users misunderstanding the purpose of the agreed-upon procedures engagement or misinterpreting the findings.
- The agreed-upon procedures are designed solely for the use of internal users such as management and those charged with governance of the engaging party.
- The agreed-upon procedures or findings involve confidential information.

Agreed-Upon Procedures and Findings (Ref: Para. 31(n)–31(o))

A57. If the practitioner is unable to describe the agreed-upon procedures or findings without including confidential or sensitive information, the practitioner may consider:

- Consulting internally (for example, within the firm or network firm);
- Consulting externally (for example, with the relevant professional body or another practitioner); or
- Obtaining legal advice,

to understand the professional or legal implications of taking any particular course of action.

A58. There may be circumstances when the fact that previously agreed-upon procedures have not been performed or have been modified is important to the intended users' consideration of the agreed-upon procedures and findings. For example, this may be the case when the procedures are set out in law or regulation. In such circumstances, the practitioner may identify, in the agreed-upon procedures report, the procedures agreed in the original terms of the engagement which could not be performed or were modified, and why that has arisen.

A59. The practitioner may refer to the date when the agreed-upon procedures were agreed in the terms of the engagement.

Reference to Practitioner's Expert (Ref: Para. 32)

A60. In some circumstances, law or regulation may require a reference, in the agreed-upon procedures report, to a practitioner's expert who performed any of the agreed-upon procedures. For example, such a reference may be required for the purposes of transparency in the public sector. The practitioner may also consider it appropriate in other circumstances, for example, when referring to the practitioner's expert when describing the agreed-upon procedures. Nonetheless, the practitioner has sole responsibility for the findings included in the agreed-upon procedures report, and that responsibility is not reduced by the use of the practitioner's expert. It is important therefore that if the agreed-upon procedures report refers to the practitioner's expert, the report does not imply that the practitioner's responsibility is reduced because of the reference to the practitioner's expert.

Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement (Ref: Para. 35)

A61. A practitioner may be requested to perform other engagements together with the agreed-upon procedures engagement, such as providing recommendations arising from the agreed-upon procedures engagement. Such requests may take the form of one request for the practitioner to perform agreed-upon procedures and make recommendations, and the terms of the various engagements may be set out in a single engagement letter. To avoid misunderstanding, paragraph 34 requires that the agreed-upon procedures report be clearly distinguished from the reports of other engagements. For example, the recommendations may be:

- Provided in a separate document from the agreed-upon procedures report; or
- Included in a document that contains both the agreed-upon procedures report and recommendations but the recommendations are clearly differentiated from the agreed-upon procedures report, for example, by including the agreed-upon procedures report and the recommendations in separate sections of the document.

Documentation (Ref: Para. 36)

A62. Documentation of the nature, timing and extent of the agreed-upon procedures performed may include a record of, for example:

- The identifying characteristics of the subject matter(s) on which the agreed-upon procedures are performed. Identifying characteristics will vary depending on the nature of the agreed-upon procedure and the subject matter(s) on which the agreed-upon procedure is performed. For example:
 - For a procedure on purchase orders, the practitioner may identify the documents selected by their dates and unique purchase order numbers.
 - For a procedure requiring selection of all items over a specific amount from a given population, the practitioner may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal register for a specific period, all timesheets for hours recorded over a certain number for specified months or every tenth item on a specific list).
 - For a procedure requiring inquiries of specific personnel, the practitioner may record the dates of the inquiries, the names and job designations of the personnel and the specific inquiries made.
 - For an observation procedure, the practitioner may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.
- Who performed the agreed-upon procedures and the date such procedures were performed.
- Who reviewed the agreed-upon procedures performed, and the date and extent of such review.

Appendix 1

(Ref: Para. A40)

Illustrative Engagement Letter for an Agreed-Upon Procedures Engagement

The following is an example of an engagement letter for an agreed-upon procedures engagement that illustrates the relevant requirements and guidance contained in this ISRS (NZ). This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISRS (NZ). It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement as described in this ISRS (NZ). It may be appropriate to seek legal advice that any proposed letter is suitable.

To [Engaging Party]

You have requested that we perform an agreed-upon procedures engagement on the procurement of [xyz] products. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the International Standard on Related Services (New Zealand) (ISRS (NZ)) 4400, *Agreed-Upon Procedures Engagements*. In performing the agreed-upon procedures engagement, we will comply with [describe the relevant ethical requirements], which does not require us to be independent.

An agreed-upon procedures engagement performed under ISRS (NZ) 4400 involves our performing the procedures agreed with you, and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You [and if relevant, other parties] acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that [Responsible Party] is responsible for the subject matter on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

The procedures that we will perform are solely for the purpose of assisting you in determining whether your procurement of [xyz] products is compliant with your procurement policies.¹⁷ Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

We have agreed to perform the following procedures and report to you the findings resulting from our work:

- Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over \$25,000.
- For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether each contract was subject to bidding by at least 3 contractors from [Engaging Party]’s “Pre-qualified Contractors List.”

¹⁷ In this case, the engaging party is also the intended user.

- For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the contractor and determine whether the amount ultimately paid is the same as the agreed amount in the contract.

The procedures are to be performed between [Date] and [Date].

Our Agreed-Upon Procedures Report

As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings of the procedures performed [insert appropriate reference to the expected form and content of the agreed-upon procedures report].

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Firm's name]

Acknowledged and agreed on behalf of [Engaging party's name] by:

[Signature]

[Name and Title]

[Date]

Appendix 2

(Ref: Para.A53)

Illustrations of Agreed-Upon Procedures Reports

Illustration 1

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The engaging party is the addressee and the only intended user. The engaging party is not the responsible party. For example, the regulator is the engaging party and intended user, and the entity overseen by the regulator is the responsible party.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is no restriction on the use or distribution of the report.
- There are no independence requirements with which the practitioner is required to comply.
- A quantitative threshold of \$100 for reporting exceptions in Procedure 3 has been agreed with the engaging party.

AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressee]

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies and may not be suitable for another purpose.

Responsibilities of the Engaging Party and the Responsible Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Responsible Party], as identified by [Engaging Party], is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (New Zealand) (ISRS (NZ)) 4400, *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements in [describe the relevant ethical requirements]. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies Professional and Ethical Standard 3¹⁸, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party], on the procurement of [xyz] products.

	Procedures	Findings
1	Obtain from management of [Responsible Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over \$25,000.	We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000.
2	For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Responsible Party]’s “Pre-qualified Contractors List.”	We inspected the records of bidding related to the 37 contracts valued at over \$25,000. We found that all of the 37 contracts were subject to bidding by at least 3 contractors from the [Responsible Party]’s “Pre-qualified Contractors List.”
3	For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Responsible] to the contractor and determine whether the amount ultimately paid is within \$100 of the agreed amount in the contract.	We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Responsible Party] to the contractor. We found that the amounts ultimately paid were within \$100 of the agreed amounts in all of the 37 contracts with no exceptions noted.

[Practitioner’s signature]

¹⁸ Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

[Date of practitioner's report]

[Practitioner's address]

Illustration 2

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The engaging party is the responsible party. The intended user, who is different from the engaging party, is an addressee in addition to the engaging party. For example, the regulator is the intended user and the entity overseen by the regulator is the engaging party and responsible party.
- Exceptions were found.
- The practitioner engaged a practitioner's expert to perform an agreed-upon procedure and a reference to that expert is included in the agreed-upon procedures report.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the engaging party (who is the responsible party). The practitioner has agreed with the engaging party that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner has agreed to include, in the terms of engagement, compliance with the independence requirements applicable to audits of financial statements for the purpose of the agreed-upon procedures engagement.
- The practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressees]

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting [Intended User] in determining whether the [Engaging Party]'s procurement of [xyz] products is compliant with [Intended User]'s procurement policies and may not be suitable for another purpose. This report is intended solely for [Engaging Party] and [Intended Users], and should not be used by, or distributed to, any other parties.

Responsibilities of the Engaging Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Engaging Party (also the Responsible Party)] is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (New Zealand) (ISRS (NZ)) 4400, *Agreed-Upon Procedures*

Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements in [describe the relevant ethical requirements] and the independence requirements in accordance with [describe the relevant independence requirements].¹⁹

Our firm applies Professional and Ethical Standard 3²⁰, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party] in the terms of engagement dated [DATE], on the procurement of [xyz] products.

	Procedures	Findings
1	Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over \$25,000.	<p>We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1].</p> <p>Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000.</p>

¹⁹ For example, if Professional and Ethical Standard 1 is the relevant ethical requirements and Part 4A of Professional and Ethical Standard 1 is the relevant independence requirements, this sentence may be worded along the following: “We have complied with the ethical requirements of Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) and the independence requirements in Part 4A of Professional and Ethical Standard 1.”

²⁰ Professional and Ethical Standard 3, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<p>2</p>	<p>For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Engaging Party]’s “Pre-qualified Contractors List.” For records of bidding that were submitted in [foreign language], translate the records of bidding with the assistance of a translator engaged by the practitioner before performing the comparison.</p>	<p>We inspected the records of bidding related to the 37 contracts valued at over \$25,000. Of the records of bidding related to the 37 contracts, 5 were submitted in [foreign language]. We engaged a translator to assist us in the translation of these 5 records of bidding.</p> <p>We found that 36 of the 37 contracts were subject to bidding by at least 3 contractors from [Engaging Party]’s “Pre-qualified Contractors List.”</p> <p>We found 1 contract valued at \$65,000 that was not subject to bidding. Management has represented to us that the reason that this contract was not subject to bidding was due to an emergency to meet a contractual deadline.</p> <p>The engagement of the translator to assist us in the translation of the records of bidding does not reduce our responsibility for performing the procedures and reporting the findings.</p>
<p>3</p>	<p>For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract.</p>	<p>We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Engaging Party] to the supplier.</p> <p>We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contracts. In all these cases, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X1.</p>

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

Schedule 1
Transitional, savings, and related provisions

Part 1 Provisions relating to this standard as made

There are no transitional, savings, or related provisions in this standard as made.

Issued at Wellington on 1 April 2026

Graeme Pinfold

Chair

New Zealand Auditing and Assurance Standards Board acting under delegated authority of the
External Reporting Board

EXPLANATORY NOTE AND OTHER INFORMATION

This note and other information is not part of the standard

Explanatory note

This standard is the International Standard on Related Services (New Zealand) 4400, *Agreed-Upon Procedures Engagements*.

This standard is the New Zealand equivalent of International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements*. This standard includes amendments relating to using the work of an external of expert issued by the International Auditing and Assurance Standards Board.

The standard was issued by the New Zealand Auditing and Assurance Standards Board acting under delegated authority of the External Reporting Board.

This standard revokes the International Standard on Related Services (New Zealand) 4400 *Agreed-Upon Procedures Engagements* issued in February 2021.

However, that standard continues to apply in relation to accounting periods that begin before 15 December 2026, as if it had not been revoked, for those practitioners that are not early adopters (see Legislation Act 2019).

Conformity with International Standards on Review Engagements

This Standard conforms to International Standard on Related Services 4400 (Revised), *Agreed-Upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board (IAASB).

Paragraphs that have been added to this Standard (and do not appear in the text of the equivalent standard) are identified with the prefix “NZ”.

This standard incorporates terminology and definitions used in New Zealand.

Comparison with Australian Standards on Review Engagements

In Australia, the Australian Auditing and Assurance Standards Board (AUASB) has issued Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*.

ASRS 4400 conforms to ISRS 4400.

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History of Amendments

Table of instruments – ISRS (NZ) 4400

This table lists the instruments amending this standard.

Instrument	Date made	Application date

Minimum Legislative Information

This Standard is secondary legislation published under the Legislation Act 2019.

Title	International Standard on Related Services (New Zealand) 4400, <i>Agreed-Upon Procedures Engagements</i>
Principal or amendment	Principal
Consolidated version	No
Empowering Act and provisions	Section 12(b) of the Financial Reporting Act 2013
Replacement empowering Act and provision	
Maker name	New Zealand Auditing and Assurance Standards Board acting under delegated authority of the External Reporting Board
Administering agency	External Reporting Board
Date made	1 April 2026
Publication date	9 April 2026
Notification date	9 April 2026
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Consolidation as at date	
Related instruments	