

Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington 6142
New Zealand

14 September 2020

Dear April,

Exposure Draft NZAuASB 2020-2 on Proposed International Standard on Related Services Engagements (New Zealand) (ISRS (NZ) 4400, Agreed-Upon Procedures Engagements)

Ernst & Young New Zealand welcomes the opportunity to offer its views on the exposure draft 2020-2, Proposed International Standard on Related Services Engagements (New Zealand) (ISRS (NZ) 4400, Agreed-Upon Procedures Engagements, issued by the New Zealand Auditing and Assurance Standards Board (NZAuASB).

Our views on the NZAuASB's specific questions in relation to ED 2020-2

- 1. Do you agree that the practitioner is not required to be independent when performing an AUP engagement? If not, please explain why not.**

We agree that the practitioner is not required to be independent when performing the AUP engagement. This is due to the lack of judgement required in the performance of AUP engagements and the fact that opinions are not formed.

When the practitioner is required or agrees to be independent, we are supportive of the requirement for the practitioner to include a statement in the AUP report asserting their independence and the basis thereof. In our view, independence should not be asserted without also including the underlying basis, as the basis may vary depending on the relevant ethical requirements in the jurisdiction or the terms of the engagement.

When independence is not required by the relevant ethical requirements or by the terms of the AUP engagement, we agree that the practitioner should not be required to make an independence determination and are supportive of the new requirement for the practitioner to include in the AUP report a statement that there are no independence requirements with which the practitioner is required to comply. The requirements in extant APS 1 (revised) are onerous for many AUP engagements requiring a complex investigation into whether we are independent or not, despite no requirement to be independent.

- 2. Do you agree that the AUP report should not require a restriction on use or distribution paragraph? If not, please explain why not.**

We note that the AUASB has stated in their board meeting in June 2020 that they intend to pursue amending the new ASRS 4400 to include the requirements of their extant ASRS 4400 to restrict the use of the report to only the engaging parties and intended users. We understand their rationale is that they wish the restriction of use to continue to be market practice in Australia.

We note that EY New Zealand routinely restricts the use of our reports to the engaging party and, for AUP engagements, the intended user. We further generally restrict reliance to engaging parties only. We envisage we would continue to do so under a new ISRS NZ 4400.

We do not see a compelling reason for New Zealand to amend ISRS NZ 4400 to require restriction of the report and are comfortable with the decision to restrict the report to be left to the practitioner.

- 3. Do you support the way in which the exercise of professional judgement is dealt with in the exposure draft? If not, please explain why not.**

We agree with the way in which the exercise of professional judgement is dealt with in the exposure draft. In our view the application guidance appropriately explains how professional judgement should be applied in the context of the AUP engagement. We do not see a compelling reason for New Zealand to amend this aspect of the standard.

4. Is use of the term “relevant quality control standards” clear? If not, please explain why not and provide suggestions as to an alternative way to describe the relationship to quality control standards.

We agree that the use of the term “relevant quality control standards” is clear.

5. Do you agree with the proposed effective date? If not, please explain why not?

We agree with the proposed effective date however we believe it would be appropriate to allow early adoption. In our view this avoids difficulties with the agreement of engagement terms close to the effective date. Early adoption should be allowed simply by defining which standard you are using in the engagement agreement.

6. Any other comments?

We have no additional comments.

We welcome the opportunity to contribute to the improvement of Auditing and Assurance Standards that will continue to drive the quality and consistency of such services in New Zealand. We would be pleased to discuss our comments with members of the New Zealand Auditing and Assurance Standards Board and its staff. Should you wish to do so, please contact Simon Brotherton (simon.brotherton@nz.ey.com or on 0272 943 421).

Yours sincerely

Simon Brotherton
Partner
New Zealand Assurance Professional Practice Director