

Working Draft of Proposed ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*

Note: Greyed paragraphs are not for discussion. These paragraphs are either to be updated by the Task Force (see Section 6 of the Issues Paper), or represent placeholders for materials that the Task Force has not yet developed but will do so.

Introduction	
Scope of this ISRS	
1 This International Standard on Related Services (ISRS) deals with the practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement and to report on the practitioner's findings based on the procedures performed.	
2 The agreed-upon procedures engagement may be performed on financial or non-financial information.	<p>A1 Examples of financial and non-financial information on which an agreed-upon procedures engagement may be performed include:</p> <p>Financial information relating to:</p> <ul style="list-style-type: none"> • 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. • Compliance with bank covenants. <p>Non-financial information relating to:</p> <ul style="list-style-type: none"> • Compliance with environmental regulations. • Numbers of passengers reported to a civil aviation authority. • Observation of destruction of fake or defective goods. • Data generating processes for lottery draws.

<i>Relationship with ISQC 1</i>	
3 Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1 applies to firms of professional accountants that perform assurance and related services engagements, including agreed-upon procedures engagements.	
The Agreed-Upon Procedures Engagement	
4 The value of an agreed-upon procedures engagement performed in accordance with this ISRS results from: a) The practitioner's compliance with professional standards, including relevant ethical requirements, in performing the agreed-upon procedures; and b) Clear communication of the procedures performed and the related findings.	
5 In an agreed-upon procedures engagement, the practitioner performs procedures agreed by the practitioner and the engaging party, and reports the findings. The needs of engaging parties vary widely and the nature, timing, and extent of the agreed-upon procedures are therefore engagement-specific and tailored to meet the engaging party's needs. In an agreed-upon procedures engagement, the practitioner does not perform an audit, review or other assurance engagement and does not provide an opinion or conclusion.	A2 The engaging parties and intended users assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.
Authority of this ISRS	

6	[To include similar requirements as paragraphs 11-14 of ISRS 4410 (Revised).]	
	Effective Date	
7	This ISRS is effective for agreed-upon procedures engagement reports dated on or after [DATE].	
	Objectives	
8	The practitioner's objectives in an agreed-upon procedures engagement under this ISRS are to perform the procedures agreed upon with the engaging party and to report the findings.	
	Definitions	
9	For purposes of this ISRS, the following terms have the meanings attributed below:	
(a)	Agreed-upon procedures – Procedures that that have been agreed to by the practitioner and the engaging party..	
(b)	Engagement partner – The partner or other person in the firm who is responsible for the engagement and its performance, and for the agreed-upon procedures engagement report that is issued on behalf of the firm, and who, when required, has the appropriate authority from a professional, legal or regulatory body. "Engagement partner" should be read as referring to its public sector equivalents when relevant.	
(c)	Engaging party – The party(ies) that engages the practitioner to perform the agreed-upon procedures engagement.	A3 The engaging party may be, under different circumstances, the responsible party, a regulator or other intended user, or a different third party(ies).

(d) Intended users – The individual(s) or organization(s), or group(s) that will use the agreed-upon procedures engagement report.	
(e) Engagement team – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes a practitioner's external expert engaged by the firm or a network firm.	
(f) Findings – Findings are the factual results of procedures performed and are capable of being objectively verified. The findings in an agreed-upon procedures engagement report are described objectively. References to findings in this ISRS exclude opinions or assurance conclusions.	
(g) Practitioner – The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). When this ISRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "practitioner" is used.	
(h) Responsible party – The party(ies) responsible for the subject matter to which the agreed upon procedures are applied.	
Requirements	
Conduct of an Agreed-Upon Procedures Engagement in Accordance with this ISRS	
10 The practitioner shall have an understanding of the entire text of this ISRS, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.	

<i>Complying with Relevant Requirements</i>	
11	The practitioner shall comply with each requirement of this ISRS 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.
12	The practitioner shall not represent compliance with this ISRS in the agreed-upon procedures engagement report unless the practitioner has complied with all requirements of this ISRS relevant to the agreed-upon procedures engagement.
Engagement Level Quality Control	
13	<p>The engagement partner shall take responsibility for:</p> <ul style="list-style-type: none"> a) The overall quality of the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert; and b) The engagement being performed in accordance with the firm's quality control policies and procedures by: <ul style="list-style-type: none"> (i) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (ii) 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 to perform the agreed-upon procedures engagement;
A4	Task Force to consider including similar application and other explanatory material as paragraphs A25-A27 of ISRS 4410 ¹ (Revised).

¹ ISRS 4410, *Compilation Engagements*

<ul style="list-style-type: none"> (iii) Being alert for indications of non-compliance by members of the engagement team with relevant ethical requirements, and determining the appropriate actions if matters come to the engagement partner’s attention indicating that members of the engagement team have not complied with relevant ethical requirements; (iv) Directing, supervising and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and (v) Taking responsibility for appropriate engagement documentation being maintained. 	
Ethical Requirements	
<p>14 The practitioner shall comply with relevant ethical requirements.</p>	<p>A5 Relevant ethical requirements ordinarily comprise Parts 1 and 3 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive.</p>
<p>15 If the practitioner is not independent, the practitioner shall include a statement to this effect in the agreed-upon procedures engagement report.</p>	<p>A6 The IESBA Code requires practitioners to comply with the principle of objectivity, which requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. Independence goes beyond objectivity, and comprises both independence of mind and independence of appearance. The IESBA Code does not require the practitioner to be independent when performing an agreed-upon procedures engagement. Nevertheless, to enhance transparency, paragraph 15 requires the practitioner to include a statement in the agreed-upon</p>

	procedures engagement report if the practitioner is not independent.
	A7 Ethical requirements that the practitioner may consider in determining whether the disclosure required by paragraph 15 is applicable include Section 4B of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.
	A8 Notwithstanding that the IESBA Code does not require the practitioner to be independent when performing an agreed-upon procedures engagement, national ethical codes, laws or regulations, or the terms of engagement may specify requirements or disclosure rules pertaining to independence.
Professional Judgment	
16 The practitioner shall exercise professional judgment in conducting an agreed-upon procedures engagement.	A9 Professional judgment is essential to the proper conduct of an agreed-upon procedures engagement. This is because interpretation of relevant ethical requirements and the requirements of this ISRS, and the need for informed decisions throughout the performance of an agreed-upon procedures engagement, require the application of relevant knowledge and experience to the facts and circumstances of the engagement.
	A10 Professional judgment may be exercised in areas such as: <ul style="list-style-type: none"> • Discussing and agreeing the nature, timing and extent of the procedures to be performed with the engaging party, and in some cases, the intended users or the responsible party (if these parties are not the engaging party) or the practitioner’s expert. • Determining whether any of the procedures that the practitioner is being asked to agree to, including

	<p>procedures that are modified over the course of the engagement, are clearly inappropriate for the purpose of the agreed-upon procedures engagement.</p> <ul style="list-style-type: none"> • Describing the findings in an objective manner, taking into account the purpose of the engagement. • Determining whether any of the terminology used to describe the procedures or findings is unclear, misleading, or open to varying interpretations. • Determining appropriate actions if the practitioner becomes aware of: <ul style="list-style-type: none"> ○ Matters that may indicate fraud or non-compliance with laws or regulations. ○ Other matters that cast doubt on the information relevant to the agreed-upon procedures engagement, or indicate in any other way that the information may be misleading. <p>Appropriate actions may include, for example, discussing the matter with the engaging party or where appropriate, the responsible party or intended users, including a description of the matter in the agreed-upon procedures engagement report, reporting to appropriate authorities, or withdrawing from the engagement.</p>
	<p>A11 The exercise of professional judgment in individual engagements is based on the facts and circumstances that are known to the practitioner up to the date of the practitioner’s report on the engagement, including knowledge acquired from performance of other engagements undertaken for the entity, where applicable.</p>

Engagement Acceptance	
<i>Preconditions for an Agreed-Upon Procedures Engagement</i>	
<p>17 Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present:</p> <ul style="list-style-type: none"> a) The engaging party and the intended user(s) have a clear understanding of the procedures to be performed; (Ref: Para. A12-A13, A18) b) The engaging party acknowledges the appropriateness of the procedures to be performed; (Ref: Para. A12, A18) c) The findings are to be described objectively; (Ref: Para. A14, A18) d) The agreed-upon procedures and findings are to be described in terms that are clear, not misleading, and not subject to varying interpretations; and (Ref: Para. A15-A18) e) Nothing has come to the practitioner’s attention to suggest that the procedures the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A18) 	<p>A12 If the intended user(s) is not a signatory to the terms of engagement, the practitioner may fulfill the requirement in paragraph 16(a) by, for example:</p> <ul style="list-style-type: none"> • Distributing a copy of the anticipated terms of engagement, including a draft of the anticipated agreed-upon procedures engagement report, to the intended user(s). • 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. • Discussing the procedures to be performed with appropriate representatives of the intended user(s). • Reviewing correspondence between the engaging party and the intended user(s) if the engaging party is not the intended user.
	<p>A13 In some cases, law, regulation, or contractual agreements, may set out the nature, but not the extent or the timing, of the procedures to be performed. In such cases, the practitioner may discuss with the engaging party and, if appropriate, the intended user(s) the implications of the extent and timing of procedures to be performed so that the engaging party and, if appropriate, intended user(s), have a clear understanding of the nature, extent and timing of the procedures. This understanding provides the</p>

	<p>basis for the engaging party's acknowledgement of the appropriateness of the procedures to be performed.</p>
	<p>A14 In some cases, law or regulation, or contractual agreement, may prescribe the way the findings are to be described. A precondition of accepting the engagement is that the practitioner has determined that the findings are capable of being described objectively.</p>
	<p>A15 A precondition for accepting an agreed-upon procedures engagement is that the terms to be used in describing agreed-upon procedures or findings are clear, not misleading, and not subject to varying interpretations. To avoid the use of unclear or misleading terminology or terminology that is open to varying interpretations, the agreed-upon procedures to be performed may be described by an action to be taken at a level of specificity sufficient for an intended user to understand the nature and extent 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:</p> <ul style="list-style-type: none"> • Confirm • Compare • Agree • Trace • Inquire • Recalculate • Observe • Mathematically check

	<p>A16 Terms that may be unclear, misleading, or open to varying interpretations depending on the context in which they are used may include, for example:</p> <ul style="list-style-type: none">• Terms such as “we certify” or “we have ensured” with regard to the findings.• Terms such as “present fairly” or “true and fair”, “audit” and “review”, “assurance” and “conclusion”, which are associated with the provision of assurance under the IAASB’s Standards.• Open-ended phrases such as “we obtained all the explanations and performed such procedures as we considered necessary.”• Terms such as “material” or “significant” if not defined.• Imprecise descriptions of procedures such as “discuss” without specifying with whom the discussion is held or the specific questions to be asked.
	<p>A17 A procedure such as “review cost allocations to determine if they are reasonable” is unlikely to meet the precondition for terms to be clear, not misleading, or not subject to varying interpretations because:</p> <ul style="list-style-type: none">• The term “review” may be misinterpreted by some users as a limited assurance engagement on the cost allocation even though no such assurance is intended.• The term “reasonable allocation” is open to varying interpretations as to what constitutes “reasonable”. <p>In cases where law or regulation requires the use of such terms, the practitioner may satisfy the precondition by, for example, obtaining the agreement of the engaging party to:</p>

	<ul style="list-style-type: none"> • Modify the procedure or the description of the procedure so that it is no longer unclear, misleading, or subject to varying interpretations. • If an unclear or misleading term cannot be amended, for example because of law or regulation, include a definition of the term in the agreed-upon procedures engagement report so that the description of the procedure is no longer unclear, misleading, or subject to varying interpretations. <p>In the above example, the practitioner may seek the agreement of the engaging party to modify or clarify the procedure as “agreeing the costs to cancelled checks and supplier invoices, and recalculating the allocation calculation to determine if the allocation is arithmetically accurate.”</p>
	<p>A18 If the preconditions in paragraph 17 are not met, it is unlikely that an agreed-upon procedures engagement is able to meet the needs of the engaging party or the intended user(s). In such cases, the practitioner may suggest other services such as an assurance engagement that may be more appropriate.</p>
<p><i>Agreeing the Terms of the Engagement</i></p>	
<p>18 The practitioner shall agree the terms of the engagement with the engaging party. The agreed-upon terms of the engagement shall include the following:</p> <ul style="list-style-type: none"> a) Nature of the engagement, including a statement that the procedures to be performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or assurance conclusion; b) Purpose of the engagement; 	<p>A19 Law or regulation may specify that the agreed-upon procedures engagement report be provided to a wide range of entities or people. In such cases, the practitioner may identify identifiable group(s) of intended user(s) instead of all individual intended users in the terms of engagement.</p>

<ul style="list-style-type: none"> c) Acknowledgement by the engaging party for the appropriateness of the procedures for the purpose of the engagement; d) The intended user(s) of the agreed-upon procedures engagement report. e) Identification of the subject matter to which the agreed-upon procedures will be applied; f) Nature, timing and extent of the procedures to be applied, including, if relevant, the nature, timing and extent of the procedures to be performed by a practitioner's expert; and g) The anticipated form of the agreed-upon procedures engagement report. 	
	<p>A20 Depending on the law or regulation of the particular jurisdiction, the practitioner may also consider it appropriate to obtain agreement from the engaging party relating to a restriction on the use or distribution of the report.</p>
<p>19 Where the agreed-upon procedures are modified over the course of the engagement, the practitioner shall agree the amended terms of engagement with the engaging party to reflect the modified procedures.</p>	<p>A21 In some cases, agreeing the terms of engagement and performing the agreed-upon procedures takes place in a linear and discrete manner. In other cases, 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 19 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 or an addendum to an existing engagement letter.</p>

<p>20 The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement, prior to performing the engagement.</p>	<p>A22 An illustrative engagement letter for an agreed-upon procedures engagement is set out in Appendix 1 to this ISRS.</p>
<p><i>Recurring Engagements</i></p>	
<p>21 On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in engagement acceptance considerations, require the terms of engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement.</p>	<p>A23 The practitioner may decide not to send a new engagement letter or other written agreement each period. 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:</p> <ul style="list-style-type: none"> • Any indication that the engaging party or intended user(s) misunderstands the objective and scope of the engagement. • Any revised or special terms of the engagement. • A change in legal, regulatory or contractual requirements affecting the engagement.
<p>Performing the Agreed-Upon Procedures Engagement</p>	
<p>22 The practitioner shall carry out the procedures as agreed in the terms of the engagement.</p>	<p>A24 While the nature, timing and extent of the procedures are agreed in the terms of engagement, the practitioner may consider the resources necessary to carry out the procedures as agreed in the terms of the engagement.</p>
	<p>A25 In some circumstances, the procedures agreed upon may need to be modified over the course of the engagement. In such circumstances, paragraph 19 requires the practitioner to agree the amended terms of engagement with the engaging party to reflect the modified procedures.</p>

Using the Work of a Practitioner's Expert	
<p>23 As set out in paragraph 13, the engagement partner is required to take responsibility for the overall quality of the agreed-upon procedures engagement. This includes work performed by a practitioner's expert. If the practitioner uses the work of a practitioner's expert as agreed to in the terms of the engagement, the practitioner shall:</p> <ul style="list-style-type: none"> a) Evaluate the expert's objectivity and technical competence; b) Determine whether the nature, timing and extent of the procedures performed by the expert is consistent with the procedures agreed in the terms of the engagement; and c) Determine whether the findings reported by the expert adequately describe the result of the procedures performed. 	<p>A26 A practitioner's expert assists the practitioner by applying the expert's technical knowledge in performing the agreed-upon procedures. An agreed-upon procedures engagement may involve, for example, the use of the work of an engineer or lawyer in dealing with engineering or legal aspects of a contract, or a procurement officer to check whether acquisitions meet procurement guidelines.</p>
	<p>A27 The preconditions set out in paragraph 17 also apply to the procedures performed by the practitioner's expert.</p>
Reporting	
<p>24 The practitioner shall present the results of performing the agreed-upon procedures in the form of findings.</p>	
<p>25 The agreed-upon procedures engagement report shall describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed, and shall include:</p> <ul style="list-style-type: none"> a) A title that clearly indicates that the report is an agreed-upon procedures engagement report; 	<p>A28 The addressee of the agreed-upon procedures engagement is ordinarily the engaging party.</p>

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| <ul style="list-style-type: none">b) An addressee; (Ref: Para. A28)c) Identification of the subject matter to which the procedures have been applied;d) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. 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 ISQC 1.e) A statement that the engagement was performed in accordance with ISRS 4400, which includes requirements for the practitioner to perform the engagement with integrity, objectivity and professional competence and due care.f) A description of an agreed-upon procedures engagement stating that:<ul style="list-style-type: none">(i) An agreed-upon procedures engagement involves the practitioner performing the procedures that have been agreed to by the practitioner and the engaging party, and reporting on findings based on the procedures performed.(ii) The engaging party has acknowledged the appropriateness of the procedures, and that the practitioner makes no representation regarding the appropriateness of the procedures; | |
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<ul style="list-style-type: none"> g) A listing of the procedures performed detailing the nature and extent of each procedure, including, if relevant, the procedures performed by the practitioner's expert; h) A description of the findings from each procedure performed, including sufficient details on exceptions found; i) A statement that the procedures performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or assurance conclusion; j) A statement that, had the practitioner performed additional procedures, or a reasonable or a limited assurance engagement, other matters might have come to the practitioner's attention which would have been reported; k) Identification of the purpose for which the agreed-upon procedures engagement is performed and a statement that the agreed-upon procedures engagement report may not be suitable for any other purposes; (Ref: Para. A29) l) If applicable, a statement that the practitioner is not independent; m) The date of the agreed-upon procedures engagement report; n) The practitioner's signature; and o) The location in the jurisdiction where the practitioner practices. (Ref: Para. A30-A32) 	
	<p>A29 In addition to the statement on the purpose of the agreed-upon procedures engagement report, the practitioner may consider it appropriate to indicate that the agreed-upon procedures</p>

	engagement report is intended solely for the 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 engagement report.
	A30 If applicable, the practitioner may wish to clarify that the agreed-upon procedures engagement report does not extend to other information to avoid misunderstanding. 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 engagement report relates only to the entity's accounts receivable and inventory, and does not extend to the entity's financial statements taken as a whole.
	A31 If the responsible party is not the engaging party, the practitioner may consider including a statement in the agreed-upon procedures engagement report to identify the responsible party.
	A32 Appendix 2 to this ISRS contains illustrations of agreed-upon procedures engagement reports.
26 The practitioner shall date the report no earlier than the date on which the practitioner has completed the agreed-upon procedures and described the findings in accordance with this ISRS.	
Documentation	
27 The practitioner shall include in the engagement documentation:	A33 Documentation of matters supporting the findings may include, for example, written confirmation from the responsible party that a missing invoice is lost and that the responsible party has searched for, and failed to locate, the missing invoice. The written

<p>a) The agreement of the engaging party on the procedures performed, including, if applicable, modifications to the procedures;</p> <p>b) The nature, timing and extent of the agreed-upon procedures performed;</p> <p>c) If applicable, matters that have come to the practitioner's attention that may preclude the practitioner from completing the engagement, and how the matters were resolved; and</p> <p>d) The findings resulting from performing those procedures.</p>	<p>confirmation may help support a finding that the invoice is, in fact, lost.</p>
<p>28 In documenting the nature, timing and extent of the agreed-upon procedures performed, the practitioner shall record:</p> <p>a) The identifying characteristics of the specific items or matters on which the agreed-upon procedures are performed;</p> <p>b) Who performed the agreed-upon procedures and the date such procedures was completed; and</p> <p>c) If applicable, who reviewed the agreed-upon procedures performed and the date and extent of such review.</p>	<p>A34 Identifying characteristics will vary with the nature of the agreed-upon procedure and the item or matter on which the agreed-upon procedure is performed. For example:</p> <ul style="list-style-type: none"> • 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 or all timesheets for hours recorded over a certain number). • For a procedure requiring inquiries of specific personnel, the practitioner may record the dates of the inquiries and the names and job designations of the personnel. • 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.

Undertaking an Agreed-Upon Procedures Engagement at the Same Time as Another Engagement	
29 If the practitioner is undertaking an agreed-upon procedures engagement at the same time as another engagement, the agreed-upon procedures engagement report shall be clearly distinguished from other engagement reports.	A35 A practitioner may be requested to perform other engagements at the same time as the agreed-upon procedures engagement such as providing recommendations arising from the agreed-upon procedures engagement. To avoid misunderstanding, paragraph 29 requires that the agreed-upon procedures engagement report be clearly distinguished from the reports of other engagements. For example, the recommendations could be: <ul style="list-style-type: none">• Provided in a separate document from the agreed-upon procedures engagement report; or• Included in a separate section that is clearly differentiated from the agreed-upon procedures engagement report.

Appendix 1 -

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. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISRS. 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. It may be appropriate to seek legal advice that any proposed letter is suitable.

To the [Engaging Party]

You have requested that we provide an agreed-upon procedures engagement on the procurement of 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 (ISRS) 4400, *Agreed-Upon Procedures Engagements*, which includes requirements for us to perform the engagement with integrity, objectivity, and professional competence and due care. Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

An agreed-upon procedures engagement performed under ISRS 4400 involves our performing of the procedures agreed with you, and reporting on findings based on the procedures performed. You acknowledge the appropriateness of the procedures. We make no representation regarding the appropriateness of the procedures. The procedures we perform do not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or assurance conclusion on the procurement of products.

The procedures that we will perform are solely for the purpose of assisting you in determining whether your procurement of products is compliant with your procurement policies. Accordingly, 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 all contracts awarded between [January 1, 20X8] and [December 31, 20X8] for products to determine if contracts valued at over \$25,000 have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".
- Obtain all contracts on procurement of products valued over \$25,000 to determine if any of the contracts have been amended after they have been awarded.

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

Our Agreed-Upon Procedures Engagement Report

As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings based on the procedures performed [see attached].

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.

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

XYZ & Co

Acknowledged on behalf of ABC Company by

(signed)

.....

Name and Title

Date

Appendix 2

Illustrations of Agreed-Upon Procedures Engagement Reports

Illustration 1

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

- No exceptions were found.
- A practitioner’s expert is not used.
- There is no restriction on the use or distribution of the report.
- The practitioner is independent.

AGREED-UPON PROCEDURES ENGAGEMENT REPORT

To (Engaging Party)

We have performed the procedures enumerated below, which were agreed to by [Engaging Party], on the procurement of products. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400, *Agreed-Upon Procedures Engagements*, which includes requirements for us to perform the engagement with integrity, objectivity, and professional competence and due care. Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. An agreed-upon procedures engagement performed under this International Standard on Related Services involves our performing of the agreed-upon procedures and reporting on findings based on the procedures performed. [Engaging Party] has acknowledged the appropriateness of the procedures. We make no representation regarding the appropriateness of the procedures enumerated below.

	Procedure	Finding
1	Obtain all contracts awarded between [January 1, 20X8] and [December 31, 20X8] for products to determine if contracts valued at over \$25,000 have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]’s “Pre-qualified Contractors List”.	<p>We obtained the 125 contracts awarded between [January 1, 20X8] and [December 31, 20X8].</p> <p>Of the 125 contracts awarded, we found that 37 of the contracts were valued at over \$25,000.</p>

		We found no exceptions. We found that the 37 contracts were subject to competitive bidding by at least 3 contractors from the [Engaging Party]’s “Pre-qualified Contractors List”.
2	Obtain all contracts on procurement of products valued over \$25,000 to determine if any of the contracts have been amended after they have been awarded.	We obtained the 37 contracts valued at over \$25,000. We found no exceptions. We found no amendments to the 37 contracts after they have been awarded.

The above procedures do not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or assurance conclusion on the procurement of products.

Had we performed additional procedures or had we performed a reasonable or limited assurance engagement, other matters might have come to our attention that would have been reported.

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

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

Illustration 2

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

- Exceptions were found.
- A practitioner’s expert is used.
- There is a restriction on the use or distribution of the report.
- The practitioner is not independent.

AGREED-UPON PROCEDURES ENGAGEMENT REPORT

To (Engaging Party)

We have performed the procedures enumerated below, which were agreed to by [Engaging Party], on the procurement of products. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400, *Agreed-Upon Procedures Engagements*, which includes requirements for us to perform the engagement with integrity, objectivity, and professional competence and due care. However, we are not required to be independent of the subject matter to which the agreed-upon procedures are applied. We are not independent of the entity’s procurement process. Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. An agreed-upon procedures engagement performed under this International Standard on Related Services involves our performing of the agreed-upon procedures and reporting on findings based on the procedures performed. [Engaging Party] has acknowledged the appropriateness of the procedures. We make no representation regarding the appropriateness of the procedures enumerated below.

	Procedure	Finding
1	Obtain all contracts signed between [January 1, 20X8] and [December 31, 20X8] for products to determine if contracts valued at over \$25,000 have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]’s “Pre-qualified Contractors List”.	<p>We obtained the 125 contracts signed between [January 1, 20X8] and [December 31, 20X8].</p> <p>Of the 125 contracts, we found that 37 of the contracts were valued at over \$25,000.</p> <p>We found no exceptions in 36 of the 37 contracts.</p>

		<p>We found 1 contract valued at \$65,000 that was not subjected to competitive bidding. Management has represented to us that the reason that this contract was not subject to competitive bidding was due to a pressing emergency to meet a contractual deadline.</p>
2	<p>Obtain all contracts on procurement of products valued over \$25,000 to determine if any of the contracts have been amended after they have been awarded.</p>	<p>We obtained the 37 contracts valued at over \$25,000.</p> <p>We found that 26 of those contracts have been amended. In all these cases, we found that the amendments were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that was effective in September 20X8.</p> <p>We engaged a procurement officer as an expert to assist us in performing this procedure.</p>

The above procedures do not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or assurance conclusion on the procurement of products.

Had we performed additional procedures or had we performed a reasonable or limited assurance engagement, other matters might have come to our attention that would have been reported.

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

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]