

ISRS 4400 (Revised) *Agreed-upon Procedures Engagements (AUP)*

The agreed-upon procedures
report: Key focus areas

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ISRS 4400 (Revised)

High level overview – September 2020 SAICA webinar

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Recording of the 2020 SAICA webinar on ISRS 4400 (Revised) available on the SAICA website:

<https://livestream.com/saica/isrs44001>

Effective date

Effective date linked to the terms of the engagement

Effective for agreed-upon procedures engagements **for which the terms of engagement are agreed on or after 1 January 2022.**

[ISRS 4400 (Revised).11]

Terms of engagement covering multiple years:

- Practitioners may wish to update the terms of engagement so that the AUP engagements will be conducted in accordance with ISRS 4400 (Revised) on or after the effective date [ISRS 4400 (Revised).A9]

Drafting conventions

Clarity drafting conventions applied

Requirements

- “Shall”
- Designed to enable the practitioner to meet the objectives of the Standard [ISRS 4400 (Revised).8]

Application and Other Explanatory Material

- Further explanation of the requirements and guidance for carrying them out.
- Relevant to proper application of the requirements
- Provides background that assists in the application of the requirements [ISRS 4400 (Revised).9-10]

AUP report: A roadmap

Requirements		Application and Other Explanatory Material
Para. 30(a) to (r):	General requirements that apply to every AUP report	Para. A51 - A57 Appendix 2: Illustrative reports
Para. 31	Applies if practitioner refers to the work of an expert in the AUP report	Para. A58
Para. 32	Applies if practitioner supplies a summary of findings in the AUP report	
Para. 33	Date of the AUP report	

The AUP Report: Key focus areas

Ethical requirements

Independence

Procedures and findings

**Reporting matters at the discretion
of the practitioner**



Ethical requirements

Requirements for the AUP report

A statement that the practitioner complies with the ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.

[ISRS 4400 (Revised).30(k)]

Independence

IESBA Code

IESBA Code does not contain independence requirements for AUP engagements.

Independence

Requirements for the AUP report

Independence – par 30(I)

With respect to independence:

- (i) If the practitioner is not required to be independent and has not otherwise agreed in the terms of the 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.

Independence

Questions to ask

Questions that the practitioner needs to ask on every AUP:

1. Are there any independence requirements that apply to this AUP engagement?
2. If “Yes” to question 1, what are those requirements? (The relevant requirements must be identified in the AUP report)
3. If not, have I/we agreed in the terms of engagement to comply with independence requirements?
4. If “Yes” to question 3, what are those requirements? (The relevant requirements must be identified in the AUP report)

Appendix 2
(Ref: Para. A51)

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.

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 Control

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 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*, and accordingly, 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.

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.

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-Up On 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 (ISRS) 4400 (Revised), *Agreed-Up On 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 Control

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].¹

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*, and accordingly, 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.

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.	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.

¹ For example, if the IESBA Code is the relevant ethical requirements and Part 4A of the IESBA Code is the relevant independence requirements, this sentence may be worded along the following: “We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and the independence requirements in Part 4A of the IESBA Code.”

Procedures and findings

Conditions for accepting or continuing an AUP engagement

A condition of accepting or continuing an AUP engagement is that the practitioner has determined that the procedures and findings can be described:

- Objectively;
- In terms that are clear;
- In terms that are not misleading; and
- In terms that are not subject to varying interpretations [ISRS 4400 (Revised).22(c)]

This means that procedures 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. [ISRS 4400 (Revised).A33]

Procedures and findings

Definition: Findings

Findings are the factual results of agreed-upon procedures performed. Findings are capable of being objectively verified. References to findings in this ISRS exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. [ISRS 4400(Revised).13(f)]

Findings are capable of being objectively verified, which means that **different practitioners performing the same procedures are expected to arrive at equivalent results.** [ISRS 4400 (Revised).A12]

Procedures and findings

Terms for describing actions

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 [ISRS 4400(Revised).A33]:

- | | |
|---|---|
| <ul style="list-style-type: none">• Confirm• Compare• Agree• Trace | <ul style="list-style-type: none">• Inspect• Inquire• Recalculate• Observe |
|---|---|

The Standard doesn't give a blanket "OK" for certain terms to be used to describe the actions - context is important.

Procedures and findings

Consider the following example

“Inspect the date of the contract.”

Vs.

“Obtain the signed royalty contract from the directors of XYZ Limited and document the date(s) that each party signed the contract.”

Procedures and findings

Terms that may be unclear, misleading or subject to varying interpretations, depending on the context in which they are used

[ISRS 4400 (Revised). A34 and A35]

<p>Associated with assurance</p> <ul style="list-style-type: none"> • “Present fairly” • “True and fair” • “Audit” • “Review” • “Assurance” • “Opinion” • “Conclusion” • “We certify” • “We verify” • “We have ascertained” • “We have ensured” 	<p>Unclear/vague</p> <ul style="list-style-type: none"> • “We have obtained all the explanations and performed such procedures as we considered necessary” 	<p>Subject to varying interpretations</p> <ul style="list-style-type: none"> • “Material” • “Significant” • “Reasonable” 	<p>Imprecise descriptions</p> <ul style="list-style-type: none"> • “Discuss” • “Evaluate” • “Test” • “Analyze” • “Examine” <p>without specifying the nature and extent, and if applicable, timing of the procedures to be performed</p>	<p>Suggesting that findings do not reflect factual results</p> <ul style="list-style-type: none"> • “In our view” • “From our perspective” • “We take the position that”
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Procedures and findings

Professional judgement

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. [ISRS 4400 (Revised).18]

The Standard acknowledges that professional judgement is applied throughout the AUP engagement, as appropriate, for example:

- Determining whether engagement acceptance and continuance have been met
- Determining an appropriate response to NOCLAR
- Describing findings in an objective manner and in sufficient detail, including when exceptions are found [ISRS 4400 (Revised).A21 and A22]

Procedures and findings

Professional judgement - continued

Need for practitioner to exercise professional judgement when performing the agreed-upon procedures is **limited** for reasons including:

- Procedures have been agreed upon by practitioner and engaging party
- Engaging party has acknowledged that procedures are appropriate for the purposes of the engagement
- Procedures and findings are capable of being described objectively, in terms that are clear, not misleading and not subject to varying interpretations
- Findings are capable of being objectively verified

[ISRS 4400 (Revised).A23]

Procedures and findings

Requirements for the AUP report

Procedures

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. [ISRS 4400 (Revised).30(n)]

Findings

The **findings from each procedure** performed, **including** details on exceptions found. [ISRS 4400 (Revised).30(o)]

- The report must contain the procedures **and** the findings
- For each procedure there needs to be a finding

Appendix 2
(Ref: Para. A51)

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- 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 (ISRS) 4400 (Revised), *Agreed-Upon*

ISRS

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.

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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.

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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.”

Reporting matters at the discretion of the practitioner

Information beyond the subject matter of the AUP engagement

Revised Standard

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 as a whole. [ISRS 4400(Revised).A52]

Extant Standard

The report of factual findings **should contain** a statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole. [ISRS 4400.18(m)]

Reporting matters at the discretion of the practitioner

Restriction of use and/or distribution

Revised Standard

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 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. [ISRS 4400 (Revised).A53]

Para A54 contains factors that may be considered in deciding whether to restrict the distribution or use of the agreed-upon procedures report.

Extant Standard The report of factual findings **should contain** a statement that the report is restricted to those parties that have agreed to the procedures to be performed. [ISRS 4400.18(I)]

Reporting matters at the discretion of the practitioner

Date when procedures were agreed

The practitioner may refer to the date when the agreed-upon procedures were agreed in the terms of the engagement. [ISRS 4400 (Revised).A57]

Illustration 2

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- 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]

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Responsibilities of the Engaging Party

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

Practitioner’s Responsibilities

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

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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].¹

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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.	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.

Takeaways

- The practitioner needs to determine if there are independence requirements that apply, on each AUP engagement. The AUP report must reflect the particulars of that engagement.
- Certain reporting matters that should be included in the AUP report in terms of the extant ISRS 4400 are not required by ISRS 4400 (Revised).
- The illustrative reports in Appendix 2 of ISRS 4400 (Revised) are based on certain assumptions. The report issued on each AUP engagement must reflect the assumptions of that particular engagement – its assumptions may not be the same as those of the illustrative reports.
- When drafting an AUP report in terms of ISRS 4400 (Revised), or when updating AUP template reports, it is recommended to start with the requirements of the Standard, not with the illustrative reports.
- For every AUP engagement, the AUP report and engagement letter must be aligned.

Questions?

