ISRS 4400 (Revised) – Agreed-Upon Procedures Engagements

The grey shaded materials are replicated from ISRS 4410 (Revised) and relate to ISQC 1. These materials will need to be updated pending the ISQC 1 project. The Explanatory Memorandum will include an explanation of these grey-shaded materials.

Introduction

Scope of this ISRS

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

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

Relationship with ISQC 1

3. Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1 applies to firms of professional accountants in respect of a firm’s agreed-upon procedures engagements. The provisions of this ISRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQC 1 or requirements that are at least as demanding. (Ref: Para. A2-A7)

The Agreed-Upon Procedures Engagement

4. In an agreed-upon procedures engagement, the practitioner performs procedures agreed upon by the practitioner and the engaging party and communicates the procedures performed and the related findings in the agreed-upon procedures report. 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; and
   (b) Clear communication of the procedures performed and the related findings.

The engaging party acknowledges the appropriateness of the procedures for the purpose of the engagement. 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.

5. In an agreed-upon procedures engagement, the practitioner does not perform an audit, review or other assurance engagement. The agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or conclusion in any form.

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1 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
7. Law, regulation or relevant ethical requirements may establish responsibilities for the practitioner regarding fraud or an entity's non-compliance with laws or regulations.\(^2\) The practitioner’s responsibilities in responding to identified or suspected fraud or non-compliance with laws and regulations may include communicating with the engaging party, assessing the appropriateness of the engaging party’s response, determining whether further action is needed, and preparing adequate documentation.

**Authority of this ISRS**

8. This ISRS contains the objectives of the practitioner in following the ISRS, which provide the context in which the requirements of this ISRS are set. The objectives are intended to assist the practitioner in understanding what needs to be accomplished in an agreed-upon procedures engagement.

9. This ISRS contains requirements, expressed using “shall,” that are designed to enable the practitioner to meet the stated objectives.

10. In addition, this ISRS contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of this ISRS.

11. 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 that assists in the application of the requirements.

**Effective Date**

12. This ISRS is effective for agreed-upon procedures engagements for which the terms of engagement are agreed upon on or after [DATE].

**Objectives**

13. The practitioner’s objectives in an agreed-upon procedures engagement under this ISRS are to:

   (a) Agree the procedures to be performed with the engaging party;

   (b) Perform the agreed-upon procedures; and

   (c) Communicate the procedures performed and the related findings in accordance with the requirements of this ISRS.

**Definitions**

14. For purposes of this ISRS, 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.

   (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 have agreed and to

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\(^2\) The IESBA Code (Section 3160) requires the practitioner to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed.
communicate the procedures performed and the related findings in an agreed-upon procedures report. The practitioner does not issue express an opinion or conclusion on the results of the procedures performed.

(c) 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 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 engages the practitioner to perform the agreed-upon procedures engagement. (Ref: Para. A10)

(e) Engagement team – All partners and staff performing the agreed-upon procedures 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. Findings are capable of being objectively verified and objectively described. Accordingly, references to findings in this ISRS exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. (Ref: Para. A10A-A10B)

(g) Intended users – The individual(s) or organization(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.

(h) Practitioner – The individual(s) conducting the engagement (usually a professional accountant in public practice who conducts the agreed-upon procedures engagement. The term includes the engagement partner or other members of the engagement team, or, as applicable, the firm). Where this ISRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents when relevant.

(hA) Practitioner’s expert – An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner in performing agreed-upon procedures. 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.”

(hB) Professional judgement - The application of relevant training, knowledge and experience, within the context provided by professional standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the agreed-upon procedures engagement.

(i) Relevant ethical requirements – Ethical requirements the engagement team is subject to when undertaking an agreed-upon procedures engagement. These requirements ordinarily comprise the International Ethics Standards Board for Accountants’ International Code of Professional Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code) together with national requirements that are more restrictive.
Requirements

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

15. 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.

Complying with Relevant Requirements

16. 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.

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

Relevant Ethical Requirements

18. The practitioner shall fulfill the practitioner’s responsibilities in accordance with relevant ethical requirements.

18A. Under the IESBA Code, independence is not a requirement for agreed-upon procedures engagements. Accordingly, there is no requirement for the practitioner to assess independence. To enhance transparency, if applicable, the agreed-upon procedures report shall include a statement that:

(a) The practitioner is not independent; or

(b) The practitioner is not required to be independent. (Ref: Para. A11-A14)

Professional Judgment

19. The practitioner shall apply professional judgment in accepting and conducting an agreed-upon procedures engagement, taking into account the circumstances of the engagement. (Ref: Para. A15-A17)

Engagement Level Quality Control

20. The engagement partner shall take responsibility for:

a) The overall quality of the agreed-upon procedures engagement including, if applicable, work performed by a practitioner’s expert; and (Ref: Para. A19)

b) The engagement being performed in accordance with the firm’s quality control policies and procedures by:

(i) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. A20)

(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;

(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; (Ref: Para. A21)

(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.

Engagement Acceptance and Continuance

21. Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present: (Ref: Para. A22, A28-A30)

(a) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement; and

(b) 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. A23-A27)

21A. Before accepting an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement through discussion with the engaging party. The practitioner shall not accept the engagement if the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A29A)

Agreeing the Terms of the Engagement

22. The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party. These terms shall include the following:

(a) The nature of the agreed-upon procedures 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 conclusion;

(b) Acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement;

(c) The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party; (Ref: Para. A31)

(d) Acknowledgement of the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures engagement and whether the practitioner is required to be independent;

(e) Identification of the information or other subject matters on which the agreed-upon procedures will be performed;

(f) Reference to the expected form and content of the agreed-upon procedures report; and

(g) Identification of the addressee of the agreed-upon procedures report.
23. Where the agreed-upon procedures are modified over the course of the engagement, the practitioner shall agree amended terms of engagement with the engaging party that reflect the modified procedures. (Ref: Para. A30, A33)

24. The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. (Ref: Para. A35)

Recurring Engagements

25. On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, 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. A36)

Performing the Agreed-Upon Procedures

26. The practitioner shall perform the procedures as agreed upon in the terms of the engagement. (Ref: Para. A37)

26A. The practitioner shall consider whether it is necessary to request written representations from the engaging party. (Ref: Para. A38)

Using the Work of a Practitioner’s Expert

27. If the practitioner uses the work of a practitioner’s expert, the practitioner shall: (Ref: Para. A39-A40)
   (a) Evaluate the expert’s competence, capabilities and objectivity;
   (b) Determine whether the practitioner-expert will be able to be involved in the work of the expert to an extent that is sufficient to take responsibility for the findings included in the agreed-upon procedures report;
   (c) Determine whether the nature, timing and extent of the work performed by the expert is consistent with the work agreed with the expert; and
   (d) Determine whether the findings reported by the expert adequately describe the results of the work performed.

The Agreed-Upon Procedures Report

28. The agreed-upon procedures report shall be in writing.

29. The agreed-upon procedures report shall include: (Ref: Para. A43-A45)
   (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 information or other matters on which the procedures have been performed;
   (d) A statement that the engagement was performed in accordance with ISRS 4400;
   (e) 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;

(eA) With respect to independence:

(i) If required to be independent by relevant ethical requirements, terms of reference the engagement, or other reasons, a statement that the practitioner is independent in accordance with the relevant criteria [and the basis therefor];

(ii) If not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons, a statement that the practitioner is not required to be independent, or, if a determination has been made that the practitioner is independent, a statement to that effect – under the relevant ethical requirements. (Ref: Para. A41A-A41B)

(f) If applicable, When it is known that the practitioner is not independent, a statement to that effect: (Ref: Para. A41A-A41C)

(g) 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 to by the practitioner and the engaging party, and reporting the findings based on the procedures performed.

(ii) The engaging party has acknowledged that the procedures are appropriate for the purpose of the engagement, and that the practitioner makes no representation regarding their appropriateness;

(h) A description of the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure;

(i) The findings from each procedure performed, including details on exceptions found;

(j) A statement that the agreed-upon procedures engagement does not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or conclusion;

(k) A statement that, had the practitioner performed additional procedures, other matters might have come to the practitioner’s attention that would have been reported;

(l) 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. A42)

(m) The practitioner’s signature;

(n) The date of the agreed-upon procedures report; and

(o) The location in the jurisdiction where the practitioner practices.

30. 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. A46)
31. The practitioner shall date the agreed-upon procedures report on the date the practitioner has completed the agreed-upon procedures engagement in accordance with this ISRS.

**Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement**

32. The agreed-upon procedures report shall be clearly distinguished from other engagement reports.
   
   (Ref: Para. A47)

**Documentation**

33. The practitioner shall include in the engagement documentation: (Ref: Para. A48)

   (a) The written terms of engagement and, if applicable, the agreement of the engaging party as to modifications to the procedures; and

   (b) The nature, timing and extent of the agreed-upon procedures performed; and

   (b)(c) The findings resulting from the agreed-upon procedures performed.