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.

Application and Other Explanatory Material

Scope of this ISRS (Ref: Para. 2)

A1A. Reference to “subject information and other matters” in this ISRS encompasses anything on which agreed-upon procedures are performed, including documents, measurements or compliance with laws and regulations.

A1. Examples of financial and non-financial information and other subject matters on which an agreed-upon procedures engagement may be performed include:

   (a) Financial information relating to:
       - The entity’s financial statements or specific classes of transactions, account balances or disclosures within the financial statements;
       - Eligibility of expenditures claimed from a funding program.
       - Revenues for determining royalties, rent or franchise fees based on a percentage of revenues.
       - Capital adequacy ratios for regulatory authorities.

   (b) Non-financial information or other subject matters relating to:
       - Numbers of passengers reported to a civil aviation authority.
       - Observation of destruction of fake or defective goods reported to a regulatory authority.
       - Data generating processes for lottery draws reported to a regulatory authority.
       - Volume of greenhouse gas emissions reported to a regulatory authority.
       - Compliance with contract or regulation.

   The above list is not exhaustive. Additional types of agreed-upon procedures engagements may arise as external reporting demands evolve.

Relationship with ISQC 1 (Ref: Para. 3)

A2. ISQC 1 deals with the firm’s responsibilities to establish and maintain its system of quality control for related services engagements, including agreed-upon procedures engagements. Those responsibilities are directed at establishing:

   - The firm’s quality control system; and

   - The firm’s related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies.
A3. Under ISQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:

(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and

(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.¹

A4. A jurisdiction that has not adopted ISQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ISQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the requirements of ISQC 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements:

- Leadership responsibilities for quality within the firm;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

A5. Within the context of the firm’s system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement.

A6. Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm’s system of quality control. For example, the engagement team may rely on the firm’s system of quality control in relation to:

- Competence of personnel through their recruitment and formal training.
- Maintenance of client relationships through acceptance and continuance systems.
- Adherence to legal and regulatory requirements through the monitoring process.

In considering deficiencies identified in the firm’s system of quality control that may affect the agreed-upon procedures engagement, the engagement partner may consider measures taken by the firm to rectify the situation that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.

A7. A deficiency in the firm’s system of quality control does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.

Definitions

¹ ISQC 1, paragraph 11
Engaging Party (Ref: Para. 14(d))

A10. The engaging party may be, under different circumstances, the responsible party, a regulator or other intended user.

Findings (Ref: Para. 14(f))

A10A. Factual results are capable of being objectively described and objectively verified, which means that different practitioners performing the same procedures are expected to arrive at the same results.

A10B. In some jurisdictions, the terms “findings” and “factual findings” may have different meanings. In such cases, the term “findings” may be replaced with “factual findings” or similar terms.

Relevant Ethical Requirements (Ref: Para. 18)

A11. A practitioner performing an agreed-upon procedures engagement is required to fulfill the practitioner’s responsibilities in accordance with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the IESBA Code with respect to related services engagements, together with national requirements that are more restrictive. The IESBA Code requires practitioners to comply with fundamental principles including objectivity, which requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement.

A12. The IESBA Code does not contain independence requirements for agreed-upon procedures engagements. Accordingly, there is no requirement for the practitioner to determine independence. However, national ethical codes, laws or regulations, the firm’s policies and procedures, or the terms of engagement may specify requirements pertaining to independence. In such cases, the practitioner is required to be independent in accordance with the criteria as set out in the national ethical codes, laws or regulations, the firm’s policies and procedures, or the terms of engagement.

Professional Judgment (Ref: Para. 19)

A15. Professional judgment is applied in an agreed-upon procedures engagement. Professional judgment is necessary to interpret and apply relevant ethical requirements and this ISRS, and in making informed decisions about courses of actions throughout the agreed-upon procedures engagement.

A16. Professional judgment may be applied in an agreed-upon procedures engagement as follows:

- Discussing the nature, timing and extent of the procedures to be performed (taking into account the purpose of the engagement) 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.
- Describing the findings in an objective manner.
- Determining whether any of the terminology used to describe the procedures or findings is unclear, misleading, or subject to varying interpretations.
• Determining the resources necessary to carry out the procedures as agreed in the terms of the engagement, including the need to involve a practitioner's expert.

• Determining appropriate actions if the practitioner becomes aware of:

  o Facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.

  o Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.

  o Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate that the information may be misleading.

A17. Unlike in an assurance engagement, the procedures performed in an agreed-upon procedures engagement are not designed by the practitioner to obtain reasonable or limited assurance evidence that provides a basis for an opinion or assurance conclusion. Rather, an agreed-upon procedures engagement involves the performance of the specific procedures that have been agreed upon with the engaging party, and where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The more if a procedure requires professional judgment in performing it, the more the practitioner may need to consider whether the condition that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations is present.

Engagement Level Quality Control (Ref: Para. 20)

A19. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking responsibility for the overall quality on each engagement, emphasize the importance to achieving the quality of the engagement of:

(a) Performing work that complies with professional standards and regulatory and legal requirements;

(b) Complying with the firm’s quality control policies and procedures as applicable; and

(c) Issuing the practitioner’s report for the engagement in accordance with this ISRS.

A20. ISQC 1 requires the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate may include information concerning the integrity of the principal owners, key management and those charged with governance. If the engagement partner has cause to doubt management’s integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.

A21. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. This ISRS sets out the engagement partner’s responsibilities with respect to the engagement team’s compliance with relevant ethical requirements.
Engagement Acceptance and Continuance (Ref: Para. 21)

A22. The procedures to be performed during the agreed-upon procedures engagement may be prescribed by law or regulation. In some cases, law or regulation may also prescribe the way the procedures or findings are to be described in the agreed-upon procedures report. As set out in paragraph 21(b), a condition of accepting an agreed-upon procedures engagement is that the practitioner has determined that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.

A23. In some circumstances, law or regulation may prescribe only the nature of the procedures to be performed. In such circumstances, in accordance with paragraph 22(h), the practitioner agrees the timing and extent of procedures to be performed with the engaging party so that the engaging party has a basis to acknowledge that the procedures to be performed are appropriate for the purpose of the engagement.

A24. The practitioner is required to determine that the agreed-upon procedures can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations. This means that the agreed-upon procedures to be performed are expected to be described at a level of specificity sufficient for an intended user to understand the nature and extent and if applicable, the timing, of the procedures performed. It is important to recognize that any term could potentially be used in an unclear or misleading manner, depending on context or the absence thereof. Assuming that the terms are appropriate in the context in which they are used, examples of descriptions of actions that may be acceptable include:

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

A25. Terms that may be unclear, misleading, or subject to varying interpretations depending on the context in which they are used, may include, for example:

- Terms that are associated with assurance under the IAASB's Standards such as “present fairly” or “true and fair”, “audit”, “review”, “assurance”, “opinion” or “conclusion”.
- Terms that imply expression of an assurance opinion or conclusion such as “we certify” or “we have ensured” with regard to the findings.
- Unclear or vague phrases such as “we obtained all the explanations and performed such procedures as we considered necessary.”
- Terms that are subject to varying interpretations such as “material” or “significant”.

• Imprecise descriptions of procedures such as “discuss” without specifying with whom the
discussion is held or the specific questions asked.
• Terms that suggest that the findings do not reflect factual results such as “in our view”, “from
our perspective” or “we take the position that”.

A26. For example, a procedure such as “review cost allocations to determine if they are reasonable” is
unlikely to meet the condition for terms to be clear, not misleading, or not subject to varying
interpretations because:
• The term “review” may be misinterpreted by some users to mean that the cost allocation was
the subject of a limited assurance engagement even though no such assurance is intended by
the procedure.
• The term “reasonable” is subject to varying interpretations as to what constitutes “reasonable”.

A27. In cases where law or regulation specifies a procedure or describes a procedure using terms that are
unclear, misleading, or subject to varying interpretations, the practitioner may satisfy the condition in
paragraph 21(b) by, for example, obtaining the agreement of the engaging party to:
• Modify the procedure or the description of the procedure so that it is no longer unclear,
misleading, or subject to varying interpretations.
• If a term that is unclear, misleading or subject to varying interpretation cannot be amended, for
example because of law or regulation, include a definition of the term in the agreed-upon
procedures report.

A28. Other actions that may satisfy the practitioner that the conditions in paragraphs 21 and 21A are met
include:
• Comparing the procedures to be performed with written requirements set out, for example, in
law or regulation, or in a contractual agreement (sometimes referred to as the “Terms of
Reference”), where appropriate.
• Requesting the engaging party to:
  o Distribute a copy of the anticipated procedures and the form and content of the agreed-
upon procedures report as set out in the terms of engagement to the intended user(s).
  o Obtain acknowledgement from the intended user(s) of the procedures to be performed.
  o Discuss the procedures to be performed with appropriate representatives of the intended
user(s).
• Reading correspondence between the engaging party and the intended user(s) if the engaging
party is not the intended user.

A29. If the conditions in paragraph 21 are not met, it is unlikely that an agreed-upon procedures
engagement is able to meet the needs of the engaging party. In such cases, the practitioner may
suggest other services, such as an assurance engagement, that may be more appropriate.

A29A. Facts or circumstances suggesting that the procedures may be inappropriate for the purpose of the
agreed-upon procedures engagement may include, for example, procedures on subject matters that
are unreliable or procedures that deal with existence of inventory when the purpose of the
engagement is concerned with the completeness of inventory.
A30. All the conditions in paragraphs 21 and 21A also apply to procedures that have been added or modified during the course of the engagement.

Agreeing the Terms of the Engagement (Ref: Para. 22-24)

A31. Depending on the law or regulation of the particular jurisdiction, the practitioner may consider it appropriate to obtain agreement from the engaging party relating to a restriction on the use or distribution of the report.

[A32. Moved to A43A]

A33. 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 23 requires the practitioner to agree the amended terms of engagement with the engaging party. The amended terms of engagement may, for example, take the form of an updated engagement letter, an addendum to an existing engagement letter, or other form of written acknowledgement.

A35. An illustrative engagement letter for an agreed-upon procedures engagement is set out in Appendix 1.

Recurring Engagements (Ref: Para. 25)

A36. The practitioner may decide not to send a new engagement letter or other written agreement for a recurring engagement. However, the following factors may indicate that it is appropriate to revise the terms of the engagement, or to remind the engaging party of the existing terms of the engagement:

- Any indication that the engaging party misunderstands the purpose and scope of the engagement.
- Any revised or special terms of the engagement, including any changes in the previously agreed-upon procedures.
- A change in legal, regulatory or contractual requirements affecting the engagement.

Performing the Agreed-Upon Procedures (Ref: Para. 26-26A)

A37. In some circumstances, the procedures agreed upon may need to be modified over the course of the engagement. In such circumstances, paragraph 23 requires the practitioner to agree the amended terms of engagement with the engaging party to reflect the modified procedures.

A38. The practitioner may, for example, consider it necessary to request written representations from the engaging party if the actual procedures performed during the course of the engagement differ significantly from the expected procedures when the practitioner and the engaging party initially agreed the terms of the engagement. For example, the practitioner may request written representations from the engaging party that the new or modified procedures are appropriate for the purpose of the engagement. Request representations that the engaging party has provided the practitioner with access to all records relevant to the agreed-upon procedures engagement or that the engaging party has disclosed to the practitioner its knowledge of identified or suspected fraud or non-compliance with laws and regulations.
Using the Work of a Practitioner’s Expert (Ref: Para. 27)

A39. A practitioner’s expert may assist the practitioner in discussing the procedures to be performed or performing the agreed-upon procedures by applying the expert’s competence and capabilities. For example, an agreed-upon procedures engagement may involve a chemist determining the toxin levels in a sample of grains, 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.

A40. As set out in paragraph 20, the engagement partner is required to take responsibility for the overall quality of the agreed-upon procedures engagement, including work for any procedures performed by a practitioner’s expert.

The Agreed-Upon Procedures Report (Ref: Para. 28-31)

A41AB. There may be In some circumstances, when the practitioner has determined that the practitioner is independent even though the relevant ethical requirements do not require the practitioner to be independent. For example, the practitioner may have determined to be independent in connection with performing an audit engagement for the entity. In such cases, the practitioner may include a statement in the agreed-upon procedures report that the practitioner is independent in accordance with the relevant criteria.

A41BA. There may be In other circumstances, when the practitioner has determined that the practitioner is not independent even though the relevant ethical requirements do not require the practitioner to be independent. For example, the practitioner may have determined that the practitioner is not independent when previously considering whether to accept an assurance engagement for the entity.

A41C. –If a statement is made that the practitioner is not independent, the practitioner may wish to include an explanation as to why the practitioner is not independent.

A42. In addition to the statement required by paragraph 29(l), on the purpose of the agreed-upon procedures report, 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.

A43. If applicable, the practitioner may wish to clarify that the agreed-upon procedures report does not extend to information beyond information on other subject matters on which the agreed-upon procedures are performed 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 report relates only to these accounts and does not extend to the entity’s financial statements taken as a whole.

A44. If the responsible party is not the engaging party, the practitioner may consider obtaining the responsible party’s agreement in order to include the name of the responsible party in the agreed-upon procedures report.

A45. Appendix 2 contains illustrations of agreed-upon procedures reports.
A46. In some cases, law or regulation may require a reference, in the agreed-upon procedures report, to a practitioner’s expert who performed any of the agreed-upon procedures. For example, such a reference may be required for the purposes of transparency in the public sector. As set out in paragraph 20, the engagement partner takes responsibility for the overall quality of the agreed-upon procedures engagement, including the work performed by the practitioner’s expert. The practitioner’s responsibility is not reduced by the reference to the practitioner’s expert in the agreed-upon procedures report.

Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement (Ref: Para. 32)

A47. A practitioner may be requested to perform other engagements together with the agreed-upon procedures engagement, such as providing recommendations arising from the agreed-upon procedures engagement. Such requests may take the form of one request for the practitioner to perform agreed-upon procedures and make recommendations, and the terms of the various engagements may be set out in a single engagement letter. To avoid misunderstanding, paragraph 32 requires that the agreed-upon procedures report be clearly distinguished from the reports of other engagements. For example, the recommendations may be:

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

Documentation (Ref: Para. 33)

A48. Documentation of the nature, timing and extent of the agreed-upon procedures performed may include a record of, for example:

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

- Who performed the agreed-upon procedures and the date such procedures were performed.
- If applicable, who reviewed the agreed-upon procedures performed, and the date and extent of such review.
Appendix 1
(Ref: Para. A35)

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 and 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 perform 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 (Revised), Agreed-Upon Procedures Engagements. In performing the agreed-upon procedures engagement, we will comply with the International Ethics Standards Board for Accountants’ International Code of Professional Ethics for Professional Accountants (Including International Independence Standards), which does not require us to be independent.

An agreed-upon procedures engagement performed under ISRS 4400 (Revised) involves our performing the procedures agreed with you, and communicating the findings in the agreed-upon procedures report based on the procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. 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 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 [xyz] products is compliant with your procurement policies.2 Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

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

- Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X8] and [December 31, 20X8] for [xyz] products (“listing”) and identify contracts valued at over $25,000.
- For each identified contract valued at over $25,000 on the listing, compare the contract to records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from the [Engaging Party]’s “Pre-qualified Contractors List”.
- For each contract valued at over $25,000 in the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract.

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2 In this case, the engaging party is also the intended user.
The procedures are to be performed between [Date] and [Date].

Our Agreed-Upon Procedures Report

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

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

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

[Firm’s name]

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

[Signature]

[Name and Title]

[Date]
Illustrations of Agreed-Upon Procedures Report

<table>
<thead>
<tr>
<th>Illustration 1</th>
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<tbody>
<tr>
<td>For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:</td>
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<tr>
<td>• The engaging party is the addressee and the intended user.</td>
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<td>• No exceptions were found.</td>
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<tr>
<td>• The practitioner did not engage an individual or organization that is not part of the engagement team to perform the agreed-upon procedures.</td>
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<td>• There is no restriction on the use or distribution of the report.</td>
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<tr>
<td>• The practitioner is required to be independent in accordance with criteria set out in the national ethical codes, laws or regulations, the firm’s policies and procedures, or the terms of the engagement.</td>
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</tbody>
</table>

AGREED-UPON PROCEDURES REPORT

To [Addressee]

We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements (“ISRS 4400”). In performing the agreed-upon procedures engagement, we complied with the International Ethics Standards Board for Accountants’ International Code of Professional Ethics for Professional Accountants (Including International Independence Standards) as well as Part 4B of the IESBA Code, Independence for Assurance Engagements Other Than Audit or Review Engagements, which sets out independence requirements. Accordingly, we are independent. 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.

An agreed-upon procedures engagement performed in accordance with ISRS 4400 involves our performing of the procedures that have been agreed to by us and [Engaging Party], and reporting the findings based on the procedures performed. [Engaging Party] has acknowledged that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures described below.

<table>
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<td>1 Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X8] and [December 31, 20X8] for [xyz] products (&quot;listing&quot;) and identify contracts valued at over $25,000.</td>
<td>We obtained from management a listing of contracts for [xyz] products which were signed between January 1, 20X8 to December 31, 20X8]. Of the 125 contracts on the listing, we identified 37 contracts valued at over $25,000.</td>
</tr>
</tbody>
</table>
2  For each identified contract valued at over $25,000 on the listing, compare the contract to records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from the [Engaging 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 [Engaging Party]'s “Pre-qualified Contractors List”.

3  For each contract valued at over $25,000 in the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract. We obtained the signed contracts for the 37 contracts valued at over $25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by the [Engaging Party] to the supplier. We found that the amounts ultimately paid were same as the agreed amounts in the 37 contracts with no exceptions noted.

This agreed-upon procedures engagement does not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or assurance conclusion on the procurement of [xyz] products by [Engaging Party].

Had we performed additional procedures, 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 [xyz] 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]
For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The engaging party is the addressee and the intended user.
- 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 or distribution of the report.
- The relevant ethical requirements with which the practitioner complied do not contain independence requirements.

**AGREED-UPON PROCEDURES REPORT**

To [Adressee]

We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400, *Agreed-Upon Procedures Engagements* ("ISRS 4400"). In performing the agreed-upon procedures engagement, we complied with the International Ethics Standards Board for Accountants’ *International Code of Professional Ethics for Professional Accountants (Including International Independence Standards)*, which does not require us to be independent. 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. In performing this engagement, we are not required to be independent under the relevant ethical requirements.

An agreed-upon procedures engagement performed in accordance with ISRS 4400 involves our performing the procedures that have been agreed to by us and [Engaging Party] and reporting on findings based on the procedures performed. [Engaging Party] has acknowledged that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures described below.

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| 2 For each identified contract valued at over $25,000 on the listing, compare the contract to records of bidding and determine whether the contract was subject to bidding by at least 3 contractors. | We inspected the records of bidding related to the 37 contracts valued at over $25,000. We found that 36 of the 37 contracts were subject to bidding by at least 3 contractors from the [Engaging Party]’s “Pre-qualified Contractors List”.


from the [Engaging Party]’s “Pre-qualified Contractors List”.

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<td></td>
<td>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.</td>
</tr>
<tr>
<td>3</td>
<td>For each contract valued at over $25,000 in the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract.</td>
</tr>
<tr>
<td></td>
<td>We obtained the signed contracts for the 37 contracts valued at over $25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by the [Engaging Party] to the supplier. We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by the [Engaging Party] for 26 of the 37 contracts. In all these cases, we found that the different amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that was effective in September 20X8.</td>
</tr>
</tbody>
</table>

We engaged an external procurement officer to assist us in performing procedure 2. The engagement of the procurement officer to assist us in the performance of this procedure does not reduce our responsibility for the engagement.

This agreed-upon procedures engagement does not constitute a reasonable or limited assurance engagement. Accordingly, we do not express any opinion or assurance conclusion on the procurement of [xyz] products by [Engaging Party].

Had we performed additional procedures, 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 [xyz] 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]