

# Supplement 1 to Agenda Item 1

## ISRS 4400 (Revised) – Agreed-Upon Procedures Engagements

### Introduction

#### Scope of this ISRS

1. This International Standard on Related Services (ISRS) deals with:
  - (a) The practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement; and to report on
  - (b) The form and content of the practitioner's findings based on report on the agreed-upon procedures.
2. This ISRS applies to the procedures performed. The performance of agreed-upon procedures engagement may be performed on financial or non-financial information. (Ref: Para. A1)

#### Relationship with ISQC 1<sup>1</sup>

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 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

54. In an agreed-upon procedures engagement, the practitioner performs procedures agreed by the practitioner and the engaging party, and reports the findings. 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; and
  - (b) Clear communication of the procedures performed and the related findings.
5. The needs of engaging parties and intended users 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. (Ref: Para. A8)
6. 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. An important purpose of the agreed-upon procedures report is to clearly communicate the agreed-upon procedures performed and the related findings. The agreed-upon procedures report is not a vehicle to express an opinion or assurance conclusion in any form.

<sup>1</sup> 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. The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond this ISRS, such as: (Ref: Para. A9)
- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance, assessing the appropriateness of their response to non-compliance and determining whether further action is needed; and
- (b) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

### 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, and 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 the 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

- ~~7~~12. This ISRS is effective for agreed-upon procedures ~~engagement~~ reports dated on or after [DATE].

### Objectives

- ~~8~~13. 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~~14. 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)~~ Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out those procedures to which the practitioner and the engaging party have agreed and to report on findings. The engaging party 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.

- (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 ~~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.
- (ed) Engaging party – The party(ies) that engages the practitioner to perform the agreed-upon procedures engagement. (Ref: Para. A10)
- (de) Intended users – The individual(s) or organization(s), or group(s) that will use the agreed-upon procedures ~~engagement~~ report.
- (ef) 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.
- (fg) Findings – Findings are the factual results of procedures performed ~~and~~. Findings are capable of being objectively verified. ~~The findings in an agreed-upon procedures engagement report are described and are~~ objectively described. References to findings in this ISRS exclude opinions or assurance conclusions, or recommendations made by the practitioner.
- (gh) Practitioner – The individual(s) conducting the agreed-upon procedures 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.
- (hi) Relevant ethical requirements – Principles of professional ethics and ethical requirements to which the engagement team is subject when undertaking an agreed-upon procedures engagement, which ordinarily comprise the International Ethics Standards Board for Accountants' International Code of Professional Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code) related to related services engagements, together with national requirements that are more restrictive.
- (i) Responsible party – The party(ies) responsible for the ~~subject matter~~information to which the agreed upon procedures are applied.

## Requirements

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

~~40~~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*

~~44~~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.

~~42~~17. 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.

## Ethical Requirements

~~1418.~~ The practitioner shall comply with relevant ethical requirements. (Ref: Para. A11-A14)

~~15—If the practitioner is not independent, the practitioner shall include a statement to this effect in the agreed-upon procedures engagement report.~~

## Professional Judgment

~~1619.~~ The practitioner shall apply professional judgment ~~in conducting~~ taking into consideration the nature of the procedures performed in an agreed-upon procedures engagement. (Ref: Para. A15-A18)

## Engagement Level Quality Control

~~1320.~~ 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; (Ref: Para. A21)
  - (iii) Being alert for indications of ~~breaches of the non-compliance by members of the engagement team with~~ relevant ethical requirements by members of the engagement team, and ~~determining the appropriate actions~~ if matters come to the engagement partner's attention through the firm's system of quality control or otherwise indicate indicating that members of the engagement team have ~~breached~~ not complied with relevant ethical requirements, determining the actions to address the consequences of the breach satisfactorily, in consultations with others in the firm;
  - (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

### ~~Preconditions for an Agreed-Up Procedures Engagement~~

~~1721.~~ Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present: (Ref: Para. A22, A28-A29)

- a) The engaging party understands the nature, timing and ~~the intended user(s) have a clear understanding~~ extent 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)~~

- (c) ~~d)~~—The agreed-upon procedures and findings ~~are to can~~ be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; and (Ref: Para. A2345-A2748)
- (d) ~~e)~~—~~Nothing has come to the practitioner's attention to suggest~~The practitioner is not aware of any indications suggesting that the procedures the practitioner is being asked to ~~agree~~perform are inappropriate for the purpose of the agreed-upon procedures engagement. ~~(Ref: Para. A18)~~

### *Agreeing the Terms of the Engagement*

~~18~~22. The practitioner shall agree the terms of the engagement with the engaging party. The agreed-upon terms of the engagement shall include the following: (Ref: Para. A31)

- (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;
- (c) Acknowledgement by the engaging party for the appropriateness of the procedures for the purpose of the engagement;

(d) Identification of the addressee of the agreed-upon procedures report;

~~(d)(e)~~ The intended user(s) of the agreed-upon procedures ~~engagement~~ report; (Ref: Para. A30)

~~(e)(f)~~ ~~e)~~—Identification of the ~~subject matter~~information to which the agreed-upon procedures will be applied;

~~(f)(g)~~ ~~f)~~—Nature, timing and extent of the procedures to be ~~performed~~applied, including, if relevant, the nature, timing and extent of the procedures to be performed by a practitioner's expert; and

~~(g)(h)~~ ~~g)~~—The anticipated form of the agreed-upon procedures ~~engagement~~ report. (Ref: Para. A32)

~~19~~23. 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. (Ref: Para. A33-A34)

~~20~~24. 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. (Ref: Para. A35)

### *Recurring Engagements*

~~24~~25. 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. (Ref: Para. A36)

### **Performing the Agreed-Up Upon Procedures Engagement**

~~22~~26. The practitioner shall carry out the procedures as agreed in the terms of the engagement. (Ref: Para. A37-A38)

## Using the Work of a Practitioner's Expert

~~2327. 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: (Ref: Para. A39-A40)

- (a) Evaluate the expert's competence, capabilities and 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.

## Reporting The Practitioner's Report

~~2428. The practitioner shall present the results of performing~~ agreed-upon procedures report shall be in the form of findings writing. (Ref: Para. A41)

~~2529. 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: (Ref: Para. A30-A32A42-A45)

- (a) A title that clearly indicates that the report is an agreed-upon procedures report;
- (b) An addressee; (Ref: Para. A28) as indicated in the terms of the engagement;
- (c) Identification of the subject matter information 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 and that the practitioner to perform the engagement has complied with integrity, objectivity and professional competence and due care relevant ethical requirements.

(f) ~~(f)~~ If applicable, a statement that the practitioner is not independent;

(f)(g) ~~(f)~~ 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 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;

(g)(h) ~~(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)~~(i) A description of the findings from each procedure performed, including sufficient details on exceptions found;
  - ~~(i)~~(j) 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)~~(k) 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)~~(l) 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)~~(m) ~~m~~The date of the agreed-upon procedures ~~engagement~~ report;
  - ~~(m)~~(n) ~~n~~The practitioner's signature; and
  - ~~(n)~~(o) ~~o~~The location in the jurisdiction where the practitioner practices.
30. If the practitioner refers to the work of a practitioner's expert in the agreed-upon procedures report, the wording of that report shall not imply that the practitioner's responsibility for the findings is reduced because of the involvement of that expert. (Ref: Para. A46)
2631. The practitioner shall date the agreed-upon procedures report ~~no earlier than on~~ the date ~~on which~~ the practitioner has completed the agreed-upon procedures ~~and described the findings engagement~~ in accordance with this ISRS.

## Documentation

2732. The practitioner shall include in the engagement documentation: (Ref: Para. A47)
- (a) The agreement of the engaging party on the procedures to be performed, including, if applicable, modifications to the procedures;
  - (b) The nature, timing and extent of the agreed-upon procedures performed; and
  - ~~e) 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~~
  - ~~d) The findings resulting from performing these procedures.~~
  - (c) ~~28 In documenting the nature, timing and extent of the the~~ agreed-upon procedures performed, ~~the practitioner shall record:~~
    - ~~a) The identifying characteristics of the specific items or matters on which the agreed-upon procedures are performed;~~
    - ~~b) Who performed the agreed-upon procedures and the date such procedures was completed; and~~
    - ~~e) If applicable, who reviewed the agreed-upon procedures performed and the date and extent of such review.~~

### **Undertaking an Agreed-Upon Procedures Engagement at the Same Time as another Engagement**

~~2933. If the practitioner is undertaking an~~The 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. (Ref: Para. A48)