This document represents a marked version of the Application Material in proposed ISRS 4400 (Revised) to the working draft of proposed ISRS 4400 (Revised) presented to the Board during the March 2018 IAASB meeting, except for application material related to professional judgment and relevant ethical requirements. The application material related to professional judgment and relevant ethical requirements [para. A11-A17 and the first paragraphs of the illustrative engagement letter and agreed-upon procedures reports in Appendices 1 and 2] are marked to the draft proposed ISRS 4400 (Revised) presented at the August 2018 conference call.

ISRS 4400 (Revised) – Agreed-Upon Procedures Engagements

(Application Material – Marked from March 2018 and August 2018)

Application and Other Explanatory Material

Scope of this ISRS (Ref: Para. 2)

A1. Examples of financial and non-financial information 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.~~
- ~~Compliance with bank covenants.~~

(b) Non-financial information relating to:

- ~~Compliance with environmental regulations.~~
- 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.

The above list is not exhaustive. Additional types of agreed-upon procedures engagements may arise as external reporting demands change (for example, the volume of greenhouse gas emissions reported to a regulatory authority).

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

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

[1] ISQC 1, paragraph 11

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.

~~**The Agreed-Upon Procedures Engagement** (Ref: Para. 7)~~

~~A9. Law, regulation or relevant ethical requirements may require the practitioner to perform additional procedures and take further actions. For example, the IESBA Code 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.~~ [Moved to footnote 2]

Definitions

Engaging Party (Ref: Para. 14(d))

~~A3~~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 verified and described, which means that practitioners performing the same procedures are expected to arrive at the same results.

Relevant Ethical Requirements (Ref: Para. 18)

A11. A practitioner performing an agreed-upon procedures engagement is required to comply with relevant ethical requirements, which 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 ~~the~~ fundamental principles including ~~of~~ objectivity, which requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective~~Independence facilitates the application of objectivity and comprises both independence of mind and independence of appearance. The IESBA Code does not require the practitioner to be independent~~ when ~~preforming~~ performing an agreed-upon procedures engagement.

A12. ~~Notwithstanding that the IESBA Code does not require the practitioner to be independent when performing an agreed-upon procedures engagement, n~~National ethical codes, laws or regulations, the firm's policies and procedures, or the terms of engagement may require the practitioner to comply with additional ethical requirements beyond those specified in the IESBA Code with respect to related services engagements. For example, the practitioner may be required to comply with the IESBA Code with respect to related services engagements as well as Part 4B of the IESBA Code, *Independence for Assurance Engagements Other Than Audit or Review Engagements*, which contains independence requirements. The independence requirements facilitate the application of objectivity. In this case, the relevant ethical requirement would require the practitioner to be objective and to comply with the independence requirements as set out in Part 4B of the IESBA Code, adapted as

necessary to related services engagements.~~specify disclosure or other requirements pertaining to independence~~.

A13. To enhance transparency, ~~in circumstances when the practitioner is not independent,~~ paragraph 29(f) requires the agreed-upon procedures report to identify the relevant ethical requirements with which the practitioner complied in conducting the agreed-upon procedures engagement and whether the practitioner is, or is not, independent~~disclosure of this fact~~.

~~A14. In determining whether the requirement for disclosure in paragraph 29(f) is applicable because the practitioner is not independent, the practitioner may consider ethical requirements such as Part 4B of the IESBA Code, *Independence for Assurance Engagements Other Than Audit or Review Engagements*, adapted as necessary for agreed-upon procedures engagements, or other professional, legal or regulatory requirements that are at least as demanding.~~

Professional Judgment (Ref: Para. 19)

A15. Professional judgment is essential to the proper conduct of an agreed-upon procedures engagement. This is because professional judgment is necessary in the application ~~interpretation~~ of relevant ethical requirements and ~~the requirements of~~ this ISRS, and in making ~~the need for~~ informed decisions throughout the ~~performance of an~~ agreed-upon procedures engagement~~, require the application of relevant knowledge and experience to the facts and circumstances of the engagement~~.

A16~~7~~. Professional judgment may be applied~~exercised~~ in an agreed-upon procedures engagement in areas such as:

- Discussing and agreeing 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~~, taking into account the purpose of the engagement~~.
- Determining whether any of the terminology used to describe the procedures or findings is unclear, misleading, or subject to varying interpretations.
- Determining the resources necessary to carry out the procedures as agreed in the terms of the engagement.
- Determining appropriate actions if the practitioner becomes aware of:
  - 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.
  - Matters that may indicate fraud or non-compliance with laws or regulations.
  - Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate ~~in any other way~~ that the information may be misleading.

  Appropriate actions may include, for example, discussing the matter with the engaging party or, where appropriate, the responsible party or intended users, including a description of the

matter in the agreed-upon procedures report, reporting to appropriate authorities, or withdrawing from the engagement.

A17~~6~~. 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 specific procedures agreed with the engaging party, when the engaging party acknowledges that the procedures performed are appropriate for the purpose of the ~~in an agreed-upon procedures~~ engagement. ~~Agreed-upon procedures and the findings of the engagement need to be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.~~ Consequently, performing the agreed-upon procedures ~~(as opposed to the activities involved in accepting or continuing an AUP engagement, agreeing the procedures to be performed, or the reporting of findings) ordinarily requires little or no~~does not require the practitioner to apply professional judgment in evaluating the sufficiency of evidence obtained or to interpret findings~~from the practitioner~~. However, the practitioner may apply professional judgment in making decisions regarding how to approach the performance of the procedure, and how to describe a finding. ~~If a procedure requires professional judgment in performing it, 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.~~

~~A18. The exercise of professional judgment in individual engagements is based on the facts and circumstances known to the practitioner up to the date of the practitioner's report on the engagement, including knowledge acquired from performance of other engagements undertaken for the entity, where applicable (for example, an engagement to audit the entity's financial statements).~~

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)~~

Agreeing the Terms of the Engagement (Ref: Para. 21~~2~~-24)

~~A14~~A22. ~~The~~ The nature, timing and extent of the procedures to be performed agreed between the practitioner and the engaging party may be prescribed by law~~,~~ or regulation. In some cases, law or regulation~~, or contractual agreements,~~ may prescribe the way the procedures or findings are to be described. ~~A precondition~~As set out in paragraph 21(b), a condition of accepting the engagement is that the practitioner has determined that the agreed-upon procedures and findings ~~are capable of being~~ can be described objectively~~.~~

~~A14~~A23. ~~However, i~~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 ~~may set out the nature, but not the extent or the timing, of the procedures to be performed. In such cases, the practitioner may discuss with the engaging party and, if appropriate, the intended user(s) the implications of~~ the timing and extent ~~and timing~~ 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 ~~and, if appropriate, intended user(s), have~~has ~~a clear understanding of the nature, extent and timing of the procedures. This understanding provides the basis for the engaging party's acknowledgement of the appropriateness of the procedures to be performed~~.

~~A15~~A24. ~~A precondition for accepting an agreed-upon procedures engagement is that the terms to be used in describing agreed-upon procedures or findings are clear, not misleading, and not subject to varying interpretations.~~ 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 ~~To avoid the use of unclear or misleading terminology or terminology that is open to varying interpretations,~~ the agreed-upon procedures to be performed are expected to be~~may be~~ described ~~by an action to be taken~~ at a level of specificity sufficient for an intended user to understand the nature and extent of the procedures performed. It is important to recognize that any term could potentially be used in an unclear or misleading manner, depending on context or the absence thereof. Assuming that the terms are appropriate in the context in which they are used, examples of descriptions of actions that may be acceptable include:

- Confirm;
- Compare;
- Agree;
- Trace;
- Inquire;
- Recalculate;
- Observe; and

- Add, subtract, multiply or divide.~~Mathematically check~~

~~A16~~A25. ~~———~~Terms that may be unclear, misleading, or ~~open~~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" and "review", "assurance", "opinion" or and "conclusion~~", which are associated with the provision of assurance under the IAASB's Standards.~~".
- Terms that imply provision of an assurance opinion or conclusion such as "we certify" or "we have ensured" with regard to the findings.
- ~~Open-ended~~Unclear 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", if not clearly specified~~defined~~.
- Imprecise descriptions of procedures such as "discuss" without specifying with whom the discussion is held or the specific questions to be asked.

~~A17.~~ A26. ~~———~~For example, a procedure such as "review cost allocations to determine if they are reasonable" is unlikely to meet the ~~pre~~condition for terms to be clear, not misleading, or not subject to varying interpretations because:

- The term "review" may be misinterpreted by some users as a limited assurance engagement on the cost allocation even though no such assurance is intended.
- The term "reasonable~~ allocation~~" is ~~open~~subject to varying interpretations as to what constitutes "reasonable".

A27. In cases where law or regulation requires the use of ~~such~~ terms that may be unclear, misleading, or subject to varying interpretations, the practitioner may satisfy the ~~precondition~~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. Using the example in paragraph A26, the practitioner may seek the agreement of the engaging party to modify or clarify the procedure as "agreeing the costs to cancelled checks and supplier invoices, and recalculating the allocation to determine if it is arithmetically accurate."
- If a term that is~~n~~ unclear, ~~or~~ misleading or subject to varying interpretation~~term~~ cannot be amended, for example because of law or regulation, include a definition of the term in the agreed-upon procedures ~~engagement~~ report ~~so that the description of the procedure is no longer unclear, misleading, or subject to varying interpretations~~.

~~In the above example, the practitioner may seek the agreement of the engaging party to modify or clarify the procedure as "agreeing the costs to cancelled checks and supplier invoices, and recalculating the allocation calculation to determine if the allocation is arithmetically accurate."~~

A28. ~~A12. If the intended user(s) is not a signatory to the terms of engagement, the practitioner may fulfill the requirement in paragraph 16(a) by~~Other actions that may satisfy the practitioner that the conditions in paragraph 21 are met, including the conditions that the engaging party acknowledges

that the procedures to be performed are appropriate for the purpose of the engagement and that the practitioner is not aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to agree are inappropriate for the purpose of the engagement, include~~, for example~~:

- 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:
  - ~~Distributing~~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).
  - Obtain acknowledgement from the intended user(s) of the procedures to be performed.
  - ~~Discussing~~Discuss the procedures to be performed with appropriate representatives of the intended user(s).
- Reviewing correspondence between the engaging party and the intended user(s) if the engaging party is not the intended user.

~~A18~~A29. ~~If the preconditions in paragraph 17~~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 ~~or the intended user(s)~~. In such cases, the practitioner may suggest other services, such as an assurance engagement, that may be more appropriate.

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

~~A19. Law or regulation may specify that the agreed-upon procedures engagement report be provided to a wide range of entities or people. In such cases, the practitioner may identify identifiable group(s) of intended user(s) instead of all individual intended users in the terms of engagement.~~A20A31. ~~—~~Where permitted by~~Depending on the~~ law or regulation of the particular jurisdiction, the practitioner may ~~also~~ consider it appropriate to obtain agreement from the engaging party relating to a restriction on the use or distribution of the report.

~~A32. In the circumstance when the practitioner is not independent, the anticipated form of the agreed-upon procedures report would include a statement, as required by paragraph 29(f), that the practitioner is not independent.~~

~~A21~~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~~19~~ requires the practitioner to agree the amended terms of engagement with the engaging party. The amended terms of engagement may, for example, take the form of an updated engagement letter ~~or~~, an addendum to an existing engagement letter~~.~~, or other form of written acknowledgement.

A34. All the conditions in paragraph 21, including the engaging party's acknowledgement that the procedures are appropriate for the purpose of the engagement, also apply to procedures that have been added or modified during the course of the engagement.

~~A22~~A35. ~~———~~An illustrative engagement letter for an agreed-upon procedures engagement is set out in Appendix 1 ~~to this ISRS~~.

Recurring Engagements (Ref: Para. 25)

~~A23~~A36. ~~———~~The practitioner may decide not to send a new engagement letter or other written agreement ~~each~~every recurring engagement ~~period~~. However, the following factors may indicate that it is appropriate to revise the terms of the engagement, or to remind the engaging party of the existing terms of the engagement:

- Any indication that the engaging party ~~or intended user(s)~~ misunderstands the purpose~~objective~~ 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 Engagement (Ref: Para. 26)

~~A25~~A37. ~~———~~In some circumstances, the procedures agreed upon may need to be modified over the course of the engagement. In such circumstances, paragraph ~~19~~23 requires the practitioner to agree the amended terms of engagement with the engaging party to reflect the modified procedures.

A38. The procedures performed by the practitioner may include requesting representations from appropriate parties. For example, the practitioner may 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)

~~A26~~A39. ~~———~~A practitioner's expert assists the practitioner by applying the expert's competence and capabilities~~technical knowledge~~ in performing the agreed-upon procedures. For example, an agreed-upon procedures engagement may involve a technician operating a drone to assist the practitioner in taking aerial photographs, ~~, for example, the use of the work of~~ an engineer or lawyer in dealing with engineering or legal aspects of a contract, or a procurement officer to check whether acquisitions meet procurement guidelines. However, as discussed in paragraph A17, performing an agreed-upon procedures engagement does not require the application of professional judgment to evaluate sufficiency of evidence obtained or to interpret findings.

~~A27. The preconditions~~A40. As set out in paragraph ~~17 also apply to~~ 20, the ~~procedures performed by~~ engagement partner is required to take responsibility for the ~~practitioner's expert.~~

~~A28. The addressee~~overall quality of the agreed-upon procedures engagement ~~is ordinarily the engaging party.~~. This includes procedures performed by a practitioner's expert. Taking responsibility for the overall quality of the engagement may involve, for example, evaluating the relevance, completeness,

and accuracy of source data that is significant to the agreed-upon procedure performed by the practitioner's expert.

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

~~A29~~A42. ~~———~~In addition to the statement on the purpose of the agreed-upon procedures ~~engagement~~ report, the practitioner may consider it appropriate to indicate that the agreed-upon procedures ~~engagement~~ report is intended solely for the engaging party and the intended users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the agreed-upon procedures ~~engagement~~ report.

~~A30~~A43. ~~———~~If applicable, the practitioner may wish to clarify that the agreed-upon procedures ~~engagement~~ report does not extend to other information to avoid misunderstanding. For example, if the practitioner was engaged to perform agreed-upon procedures on an entity's accounts receivable and inventory, the practitioner may wish to include a statement that the agreed-upon procedures ~~engagement~~ report relates only to ~~the entity's~~these accounts ~~receivable and inventory,~~ and does not extend to the entity's financial statements taken as a whole.

~~A31~~A44. ~~———~~If the responsible party is not the engaging party, the practitioner may consider obtaining the responsible party's agreement to ~~consider including a statement~~include the name of the responsible party in the agreed-upon procedures ~~engagement~~ report ~~to identify the responsible party~~.

~~A32~~A45. ~~———~~Appendix 2 ~~to this ISRS~~ contains illustrations of agreed-upon procedures ~~engagement~~ 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 agreed-upon procedures 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 at the Same Time as another Engagement (Ref: Para. 32)

~~A35~~A47. ~~———~~A practitioner may be requested to perform other engagements ~~at the same time as~~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 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~~29~~ requires that the agreed-upon procedures ~~engagement~~ report be clearly distinguished from the reports of other engagements. For example, the recommendations ~~could~~may be:

- Provided in a separate document from the agreed-upon procedures ~~engagement~~ report; or
- Included in a separate section within a document that is clearly differentiated from the agreed-upon procedures ~~engagement~~ report.

Documentation (Ref: Para. 33)

~~A33. Documentation of matters supporting the findings may include, for example, written confirmation from the responsible party that a missing invoice is lost and that the responsible party has searched for, and failed to locate, the missing invoice. The written confirmation may help support a finding that the invoice is, in fact, lost.~~

~~A34~~A48. ~~———~~Documentation of the nature, timing and extent of the agreed-upon procedures performed may include a record of, for example:

- ~~28(a)~~The identifying characteristics of the information~~specific items or matters~~ on which the agreed-upon procedures are performed. Identifying characteristics will vary ~~with~~depending on the nature of the agreed-upon procedure and the information~~item or matter~~ 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, ~~or~~ all timesheets for hours recorded over a certain number 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 and the names and job designations of the personnel.
    - For an observation procedure, the practitioner may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.
- ~~28(b)~~Who performed the agreed-upon procedures and the date such procedures were performed.
- ~~28(c)~~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~~but~~ is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISRS. It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement as described in this ISRS. It may be appropriate to seek legal advice that any proposed letter is suitable.

To the [Engaging Party]

You have requested that we perform~~provide~~ an agreed-upon procedures engagement on the procurement of products. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the International Standard on Related Services (ISRS) 4400~~,~~ (Revised), *Agreed-Upon Procedures Engagements*~~, which requires us to comply with ethical requirements relevant to an agreed-upon procedures engagement~~. 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)* (IESBA Code) with respect to related services engagements as well as Part 4B of the IESBA Code, *Independence for Assurance Engagements Other Than Audit or Review Engagements*, which contains independence requirements. Accordingly, we will be independent of [Engaging Party].~~Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.~~

An agreed-upon procedures engagement performed under ISRS 4400 (Revised) involves our performing ~~of~~ the procedures agreed with you, and reporting on findings based on the procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement~~the appropriateness of the procedures~~. We make no representation regarding the appropriateness of the procedures. The procedures we per~~re~~form do not constitute a reasonable or limited assurance engagement. Accordingly, we will~~do~~ not express any opinion or assurance conclusion on the procurement of products.

The procedures that we will perform are solely for the purpose of assisting you in determining whether your procurement of products is compliant with your procurement policies.[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 ~~awarded~~signed between [January 1, 20X1~~8~~] and [December 31, 20X1~~8~~] for products ~~to determine if~~ and identify contracts over $25,000.

[2] In this case, the engaging party is also the intended user.

- For contracts valued at over $25,000, compare the contracts to records of competitive bidding to determine if they have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".
- ~~Obtain all~~For contracts ~~on procurement of products~~ valued at over $25,000 as set out in the listing, compare the amount payable in the contracts to the amount ultimately paid to the supplier to determine if ~~any of the contracts have been amended after they have been awarded~~the amount ultimately paid is the same as the agreed amount in the contract.

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

Our Agreed-Upon Procedures ~~Engagement~~ Report

~~As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings based on the procedures performed~~ [Insert appropriate reference to the expected form and content of the agreed-upon procedures report~~see attached~~].

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

~~XYZ & Co~~

[Firm's name]

Acknowledged and agreed on behalf of ~~ABC Company~~[Engaging party's name] by

~~(signed)~~

~~.....~~

[Signature]

[Name and Title]

[Date]

Appendix 2

(Ref: Para. A45)

Illustrations of Agreed-Upon Procedures ~~Engagement Reports~~Report

Illustration 1

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

- No exceptions were found.
- The practitioner did not engage an individual or organization that is not part of the engagement team to perform the agreed-upon procedures~~A practitioner's expert is not used~~.
- There is no restriction on the use or distribution of the report.
- The relevant ethical requirements with which the practitioner complied contain independence requirements and the practitioner is independent.

AGREED-UPON PROCEDURES ~~ENGAGEMENT~~ REPORT

To ~~{~~[Engaging Party~~}~~]

We have performed the procedures ~~enumerated~~described below, which were agreed to by [Engaging Party], on the procurement of products.~~–~~ Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400~~,~~ (Revised), *Agreed-Upon Procedures Engagements*~~, which requires us to comply with ethical requirements relevant to an agreed-upon procedures engagement~~. 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)* (IESBA Code) with respect to related services engagements as well as Part 4B of the IESBA Code, *Independence for Assurance Engagements Other Than Audit or Review Engagements*, which contains independence requirements. Accordingly, we are independent of [Engaging Party] in accordance with Part 4B of the IESBA Code, adapted as necessary for related services engagements. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 a~~A~~ccordingly, ~~our firm~~ maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

	Procedure	**Finding**
1	~~Obtain all contracts signed between [January 1, 20X8] and [December 31, 20X8] for products to determine if contracts valued at over $25,000 have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".~~Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X8] and [December 31, 20X8] for products and identify contracts over $25,000.	~~We obtained the 125 contracts awarded between [January 1, 20X8] and [December 31, 20X8].~~ ~~Of the 125 contracts awarded, we found that 37 of the contracts were valued at over $25,000.~~ ~~We found no exceptions. We found that the 37 contracts were subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".~~ We obtained from management a listing of contracts signed between January 1, 20X8 to December 31, 20X8]. Of the 125 contracts on the listing, we found that 37 of the contracts were valued at over $25,000.
2	~~Obtain all contracts on procurement of products valued over $25,000 to determine if any of the contracts have been amended after they have been awarded.~~ For contracts valued at over $25,000, compare the contracts to records of competitive bidding to determine if they have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".	~~We obtained the 37 contracts valued at over $25,000.~~ ~~We found no exceptions. We found no amendments to the 37 contracts after they have been awarded.~~ We compared the 37 contracts valued at over $25,000 to records of competitive bidding. We found that the 37 contracts were subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List" with no exceptions.
3	For contracts valued at over $25,000 as set out in the listing, compare the amount payable in the contracts to the amount ultimately paid to the supplier to determine if the amount ultimately paid is the same as the agreed amount in the contract.	We obtained the 37 contracts valued at over $25,000 and compared the amounts in the contracts to the amounts ultimately paid to the supplier. We found that the amounts ultimately paid were same as the agreed amounts in the 37 contracts with no exceptions.

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

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

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

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

Illustration 2

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

- Exceptions were found.
- 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~~A practitioner's expert is used and a reference to the use of the work of the practitioner is included~~.
- 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. The practitioner is not independent.

AGREED-UPON PROCEDURES ~~ENGAGEMENT~~ REPORT

To ~~{~~[Engaging Party~~}~~]

We have performed the procedures ~~enumerated~~described below, which were agreed to by [Engaging Party], on the procurement of products. ~~–~~Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400, *Agreed-Upon Procedures Engagements*~~, which requires us to comply with ethical requirements relevant to an agreed-upon procedures. However,~~. 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)* (IESBA Code) related to related services engagements. The IESBA Code with respect to related services engagements requires us to comply with the fundamental principle of objectivity, which requires us not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. However, the relevant ethical requirements with which we complied do not contain independence requirements, which facilitates the application of objectivity. Accordingly, w~~W~~e are not required to be, and are not, independent of ~~the subject matter to which the agreed-upon procedures are applied. We are not independent of the entity's procurement process.~~[Engaging Party]. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 ~~A~~accordingly, ~~our firm~~ maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

An agreed-upon procedures engagement performed in accordance with~~under~~ this International Standard on Related Services involves our performing of the ~~agreed-upon~~ 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~~the appropriateness of the procedures~~. We make no representation regarding the appropriateness of the procedures ~~enumerated~~described below.

	Procedure	**Finding**
1	~~Obtain all contracts signed between [January 1, 20X8] and [December 31, 20X8] for products to determine if contracts valued at over $25,000 have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List".~~ Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X8] and [December 31, 20X8] for products and identify contracts over $25,000.	~~We obtained the 125 contracts signed between [January 1, 20X8] and [December 31, 20X8].~~ ~~Of the 125 contracts, we found that 37 of the contracts were valued at over $25,000.~~ ~~We found no exceptions in 36 of the 37 contracts.~~ ~~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.~~ We obtained from management a listing of contracts signed between January 1, 20X8 to December 31, 20X8]. Of the 125 contracts on the listing, we found that 37 of the contracts were valued at over $25,000.
2	~~Obtain all contracts on procurement of products valued over $25,000 to determine if any of the contracts have been amended after they have been awarded.~~ For contracts valued at over $25,000, compare the contracts to records of competitive bidding to determine if they have been subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List". This procedure is to be performed with the assistance of a procurement officer.	~~We obtained the 37 contracts valued at over $25,000.~~ ~~We found that 26 of those contracts have been amended. In all these cases, we found that the amendments were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that was effective in September 20X8.~~ ~~We engaged a procurement officer as an expert to assist us in performing this procedure.~~ We compared the 37 contracts valued at over $25,000 to records of competitive bidding. We found that 36 of the 37 contracts were subject to competitive bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List". 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.
3	For contracts valued at over $25,000 as set out in the listing, compare the amount payable in the contracts to the amount ultimately paid to the supplier to determine if the amount ultimately paid is the same as the agreed amount in the contract.	We obtained the 37 contracts valued at over $25,000 and compared the amounts in the contracts to the amounts ultimately paid to the supplier. We found that the amounts ultimately paid differed from the agreed amounts in the contracts in 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.

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

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

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

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

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]