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Submitted via the IAASB website

Date	Re	Our ref	Attachment
29 March 2017	Discussion Paper AUP	KvH/LvI	2

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Subject: Response to 'Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implication for the IAASB's International Standards'

Dear AUP Working Group,

The NBA appreciates the opportunity to comment on the discussion paper 'Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services', and the Implications for the IAASB's International Standards. First we will give some general comments of our vision on the development of ISRS 4400 before answering your questions.

Royal Netherlands
Institute of Chartered
Accountants



I. General comments

The Royal Netherlands Institute of Chartered Accountants (NBA) has developed a Dutch clarified Standard 4400N '*Agreed-Upon Procedures Engagements*' (AUP). This Dutch Standard is developed as a result of questions and issues encountered in practice. The purpose of the revised Dutch Standard is to explain the engagement, what the report means for the intended user and what the role of the user is. For the clarified Dutch Standard 4400N we have used the structure of Standard 4410 'Compilation Engagements' as a reference, because it also deals with practitioners engaging in 'related services'. We recognize the considerations of the working group from our discussions when we developed the Dutch Standard 4400N and we appreciate to share our ideas with IAASB to develop ISRS 4400.

Users' needs

The AUP Working Group recognizes that stakeholders are looking for alternative services to an audit and that there is a demand for hybrid or multi-scope engagements to meet emerging users' needs. However this does not lead to possible modifications to the requirements of ISRS 4400 in the Discussion Paper. These user needs are only answered by 'multi-scope engagements'. The AUP Working Group approaches the user's needs from the framework of compilation, review and assurance engagements. The starting point of the Discussion Paper is that the practitioner does not express an opinion when he is performing an AUP engagement.

In our opinion, the IAASB should also explore how an AUP meets the identified needs of users as well as how the practitioner can add value to an AUP engagement. We feel that ISRS 4400 does not address the specific needs. We believe that these subjects are essential for the development of ISRS 4400.

Issues encountered in practice

In practice the current Standard 4400, based on ISRS 4400, often leads to questions or issues. Disciplinary cases with respect to practitioners about AUP's regularly show that the practitioner unintentionally provided assurance by drawing conclusions, while this is not the intention of an AUP. For the user there is a misunderstanding that the practitioner does not express assurance in an AUP, while the user relies on the findings of the practitioner (and derives 'comfort' from the report). In fact the practitioner can 'guarantee' the reliability of the outcomes because it involves factual findings. There is also a difference between everyday language use on the one hand (conclusion, to review, assurance) and the terminology of the Standards of the IAASB on the other hand.

Interpretation of facts

In fact, there is a spectrum between an AUP engagement (factual findings) and an assurance engagement (conclusion). The practitioner would like to answer the specific question of the intended user, but this might be considered as a conclusion. In the revised Standard 4400N we 'shifted more to the right' in this spectrum. The practitioner reports on the findings resulting from the agreed-upon procedures which he can substantiate with the information obtained. Nevertheless it is possible that the practitioner gives an interpretation of the findings, for instance in a summary report. With this report he can help the user in his decision-making process. The practitioner does not make a statement about the meaning of the findings for the object as a whole ('assurance'). The work is not intended for such a statement, because of an insufficient basis for a pronouncement on the object as a whole

For example, the practitioner can report that the internal guidelines are followed for eight investigated expense reports, but he does not make a statement about all of the expense reports. The intended users will have to determine for themselves whether they find this sufficient and apply their own knowledge and make use of any other information. Therefore, it is important that the practitioner and the intended users will agree the AUP.

Other example

By providing an interpretation of the findings, the practitioner uses his expertise (professional judgment). Much of the practitioner's value lies in implementing professional judgment to the engagement. An example of procedures which requires further interpretation of the practitioner and factual findings under application of Standard 4400N is the following (see Appendix 1, par. A6 Standard 4400N). The example is based on the European's Commission Horizon 2020 program. We recognize that some of the prescribed factual findings in the Grant Agreement of Horizon 2020 are worded in a manner that could lead to misinterpretation (assurance)¹. Nevertheless, we consider that it is possible to meet the specific need of the regulator without expressing assurance with Standard 4400N.

A translation of the Dutch clarified Standard 4400N is included in the Appendix. In answering your questions we will refer to this Appendix. For the description of the engagement see Appendix 1, par. 3 to 6 inclusive, par. 13c, par. A4 to A6 inclusive Standard 4400N



II. Request for Specific Comments

The Role of Professional Judgment and Professional Skepticism in an AUP Engagement

Q1. Results from the Working Group's outreach indicate that many stakeholders are of the view that professional judgment has a role in an AUP engagement, particularly in the context of performing the AUP engagement with professional competence and due care. However, the procedures in an AUP engagement should result in objectively verifiable factual findings and not subjective opinions or conclusions. Is this consistent with your views on the role of professional judgment in an AUP engagement? If not, what are your views on the role of professional judgment in an AUP engagement?

¹ Compare paragraph 50, first bullet from your discussion paper about 'hybrid (or multi-scope) engagements'.

No, we believe that professional judgment at an AUP engagement goes beyond professional competence and due care. We think that further interpretation of the practitioner can be required (see 'I General Comments'). The practitioner can use his own expertise or reference framework (professional judgment), in addition to the agreed principles/criteria. Much of the practitioner's value lies in implementing professional judgment. For example for twelve selected items: *'there is a direct connection between the expenses and the project and that the evidence is consistent with the subject of the travel, the dates and duration.'* (see example par. A6 under 'Appendix 1').

In Standard 4400N we give some examples of applying professional judgment in an AUP engagement. We consider this to be also in line with Standard 4410 'Compilation Engagements' (par. 22 and A22 to A24 inclusive). For Professional Skepticism we refer to Q13.

See Appendix 1, par. 21 and A10 Standard 4400N.

Q2. Should revised ISRS 4400 include requirements relating to professional judgment? If yes, are there any unintended consequences of doing so?

Yes (for motivation see Q1). Some unintended consequences are:

- The term 'professional judgment' is associated with assurance engagements. But 'professional judgment' is also used in Standard 4410.
- The definition in the Glossary of terms is written for audits of historical financial information (and not for Standard 2400, 4410 or other engagements). We prefer to have a term that also fits to other assurance-engagements and related services. In Standard 4400N we solved this by giving examples of professional judgment in an AUP. For example: *'considering whether or not to withdraw from the engagement or amend it in the event of suspected fraud or non-compliance with legislation or regulations'*.

See Appendix 1, par. A10 Standard 4400N.

The Independence of the Professional Practitioner

Q3. What are your views regarding practitioner independence for AUP engagements? Would your views change if the AUP report is restricted to specific users?

We agree that independence is not a requirement for an non-assurance engagements (AUP and compilation engagements), only objectivity is required. Because an AUP engagement is intended for specific users, it is possible for them to judge the objectivity of the practitioner. Also they can agree for independence to be a part of the engagement when they view independence as adding value.

We have a different view with the statement in the report where the practitioner is not independent in case independence is not agreed. First of all, it seems strange to report about non-independence when this is not a requirement. Particularly in an AUP engagement the practitioner has the opportunity to discuss this with the intended users before he starts to perform the engagement. Secondly, there is a practical objection. If the practitioner needs to find out whether he is independent or not, he has to check Section 290 'Independence' of the Code of Ethics, even in the case when he does not have to comply. We consider this to be an unnecessarily and unwanted threshold for an AUP engagement.

Instead we believe that it is sufficient to discuss the objectivity and independence upon the agreement of terms. An alternative for a statement in the report is by mentioning that independence is not a requirement at a AUP-engagement.

See Appendix 1, paragraph 17 to 19 inclusive, 27h, 27i, 34h.

Terminology in Describing Procedures and Reporting Factual Findings in an AUP Report

Q4. What are your views regarding a prohibition on unclear or misleading terminology with related guidance about what unclear or misleading terminology mean? Would your views change if the AUP report is restricted?



We recognize that some terms have technical meanings that vary from everyday meaning. It is better to avoid some terms, but sometimes this can be hard just because of this everyday meaning. Therefore a prohibition can be a problem for the practitioner in practice and in disciplinary cases at the end. We prefer to help the practitioner with the way of reporting through explanation in the A-paragraphs. For example: *Terms that are less appropriate to use in a report are 'assurance', 'audit', 'review', 'judgment', 'conclusion'.* These terms are related to assurance engagements. We also believe that it helps to give some examples of reports.

See Appendix 1, paragraph A6 (positive examples), A22.

AUP Engagements on Non-Financial Information

Q5. What are your views regarding clarifying that the scope of ISRS 4400 includes non-financial information, and developing pre-conditions relating to competence to undertake an AUP engagement on non-financial information?

We agree to clarify the scope of ISRS 4400 by including non-financial information. We expanded the scope of Standard 4400N, because in practice the Standard is also used for non-financial information.

In Standard 4400N we have added a requirement of quality control which implies that the engagement partner needs to be satisfied that the engagement team collectively has appropriate competence to perform the engagement (see Appendix 1, par. 22b-ii). A requirement of quality control is in accordance with a clarified Standard.

We do not believe there is a need to describe pre-conditions about sufficient competence to accept the engagement. This is included in the following added requirement of quality control: *'following appropriate procedures related to the acceptance and continuance of relationships with clients and engagements'* (see Appendix 1, par. 22b-i). The elaboration is described in the Code of Ethics, Section 210.6 and 210.7 about 'engagement acceptance' as an application of the principle of professional competence and due care.

See Appendix 1, paragraph 22b and A1.

Q6. Are there any other matters that should be considered if the scope is clarified to include non-financial information?

The Standard is appropriate as a framework for both financial as well as non-financial information. The Working Group recognized the subject matter of 'using the work of an expert' (see Q7). Maybe some examples of subject matters can be added like Appendix A of the discussion paper. We don't believe that there are other matters to be considered.

Using the Work of an Expert

Q7. Do you agree with the Working Group's views that ISRS 4400 should be enhanced, as explained above, for the use of experts in AUP engagements? Why or why not?

Yes we agree. However we see a difference in the process. The discussion paper (par. 34) says that the practitioner should reach agreement with the entity about the procedures to be performed by the expert. We think that it is more obvious that the engaging party reaches agreement with their own expert because of the nature of the engagement. It is the responsibility of the intended users to determine if the agreed-upon procedures are sufficient and appropriate for the purpose for which they are intended.

See Appendix 1, paragraph A17.

Format of the AUP Report

Q8. What are your views regarding the Working Group's suggestions for improvements to the illustrative AUP report?

We would be particularly interested in receiving illustrative reports that you believe com-



communicate factual findings well.

Our suggestion would be to use headings. In practice we often see that the description of the procedures are repeated within the description of the report's findings. This can be solved by combining them in the description. The form depends on the size, sometimes an appendix with a tabular format will work. We also notice that an interpretation of the findings can be shortened. For example the summary that 'the internal guidelines are followed at eight investigated expense reports' after a description of the procedures (see I. General comments).

See Appendix 1, paragraph 34i to 34m inclusive and A21.

See Appendix 2 for an illustration of a report of factual findings in accordance with Standard 4400N.

AUP Report Restrictions – To Whom the AUP Report Should be Restricted

Q9. Do you agree that the AUP report can be provided to a party that is not a signatory to the engagement letter as long as the party has a clear understanding of the AUP and the conditions of the engagement? If not, what are your views?

Yes, we agree. The report is meant for the intended users. It is important that the practitioner consults with the intended users what they need. One of this intended users is the person who is legally authorised to sign the engagement. Under certain circumstances, the practitioner will not be able to consult with all of the intended users. In these situations, the practitioner must take other measures to know the need of them, like reading a protocol or discuss the need with the most relevant representative of the intended users.

We also recognize that some users are completely unknown for the practitioner because for instance they can obtain a report by law. The practitioner bears no responsibility for use by this group of users., He cannot ascertain for which purpose they wish to use the report, or if they possess the knowledge necessary to understand the results and to use them in an appropriate manner.

See Appendix 1, paragraph 13a and A7, 24 to 26 inclusive and A12.

AUP Report Restrictions – Three Possible Approaches to Restricting the AUP Report

Q10. In your view, which of the three approaches described in paragraph 44 is the most appropriate (and which ones are not appropriate)? Please explain.

The third approach (c) is the most appropriate, the second approach (b) the least. This is also in line with par. A61 Standard 4410 Compilation Engagements. Because an AUP engagement is for intended users, it is possible and effective to agree the restriction of the report with them. On the other hand, the practitioner cannot see or control what the intended users are doing with the report. Sometimes there are also options for parties to get a report by law. Therefore it is also sensible to make a statement in the report that the procedures are tailored to the information needs of the intended users. See Q11.

Q11. Are there any other approaches that the Working Group should consider?

A combination of a restriction and a statement in the report (approach a and c). In the statement we explain the restriction. This statement is intended for parties who get a report (probably by law) although they are not the intended users.

See Appendix 1, par. 27c, 28c, 34n, 34o, 35, A24

See Appendix 2

Recommendations Made in Conjunction with AUP Engagements

Q12. Do you agree with the Working Group's view that recommendations should be clearly distinguished from the procedures and factual findings? Why or why not?



We agree that the recommendations should be clearly distinguished because the recommendations may be limited due to the nature of the performed agreed-upon procedures.

See Appendix 1, par. A23

Other Issues relating to ISRS 4400

Q13. Are there any other areas in ISRS 4400 that need to be improved to clarify the value and limitations of an AUP engagement? If so, please specify the area(s) and your views as to how it can be improved.

Content of the engagement

We strongly recommend to clarify the content of the engagement and report. See 'I. General comments'.

see Appendix 1, par. 3 to 6 inclusive, 13c, par. A4 to A6 inclusive Standard 4400N

Professional skepticism

Professional skepticism is relevant for an AUP engagement, because the procedures can be similar to procedures performed for an assurance engagement. The practitioner uses his professional skepticism with the critical assessment of information during the performance of the procedures. An example is that the practitioner has to be alert to information that is inconsistent or contradictory. The concept of professional skepticism also expresses an attitude of a practitioner that is expected by the general public.

See Appendix 1, par. 20 and A9.

Fraud and non-compliance with laws and regulations

ISRS 4400 does not address the role of the practitioner if he becomes aware of a suspected fraud or suspected non-compliance with laws or regulations. Stakeholders expect from practitioners that they deal with suspected fraud or suspected non-compliance with laws and regulations, regardless of the engagement of the practitioner. The practitioner has to communicate a suspected fraud or suspected non-compliance with the management or those charged with governance. He also has to determine whether he should withdraw from the engagement or amend the engagement.

ISRS 4400 has to respond to the new requirements addressing NOCLAR in the IESBA Code.

See Appendix 1, par. 31, A18 to A20 inclusive.

Intended users' information needs

It is very important that the engagement satisfies the intended users' information needs. We recommend some requirements for the practitioner to ensure this. If the practitioner suspects that an AUP engagement is not expected to satisfy the intended users' information needs, he must not accept the engagement.

See Appendix 1, par. 23 and 28.

Required engagement letter

ISRS 4400 (par. 11) recommends the use of an engagement letter. We prefer to make this a requirement, because especially in the case that an engagement is created for the intended users it is important to avoid any misunderstanding.

See Appendix 1, par. 27.

Multi-Scope Engagements

Q14. What are your views as to whether the IAASB needs to address multi-scope engagements, and how should this be done? For example, would non-authoritative guidance be useful in light of the emerging use of these types of engagements?



We do feel the need for more guidance on multi-scope engagements as we mentioned earlier in our response to the IAASB discussion paper regarding EER. An example is a combination of ISAE 3000 and ISRS 4400 for EER. A practice note would be useful considering the developments in these types of engagements.

Q15. Do you agree with the Working Group's view that it should address issues within AUP engagements before it addresses multi-scope engagements?
Suggestions regarding the nature of guidance on multi-scope engagements you think would be helpful and any examples of multi-scope engagements of which you are aware will be welcome and will help to inform further deliberations.

Yes, we agree with your view on this(see Q14). The various elements of multi-scope engagements comply with the corresponding IAASB Standards. A practice note to explain this might be useful.

Closing remarks

For further information, please contact Mrs. Karin van Hulsen (K.vanHulsen@nba.nl) or Mrs. Lonneke van Ierland (L.vanIerland@nba.nl).

Yours sincerely,
NBA, the Netherlands Institute of Chartered Accountants,



Anton Dieleman
Chair of the Dutch Assurance and Ethics
Standards Board



Appendix 1: Dutch clarified Standard 4400N

Appendix 2: Illustration of an AUP report in accordance with Dutch Standard 4400N

This document uses bookmarks

Unofficial translation

Standard 4400N

Engagements to perform agreed-upon procedures

29 March 2017

Koninklijke Nederlandse
Beroepsorganisatie
van Accountants



NBA

Unofficial translation

This Standard is a translation of the official Dutch version. The Dutch version is leading when discussions take place how to interpret the Standard.

Standard 4400N: Engagements to perform agreed-upon procedures

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Introduction

Scope of this Standard

- 1 This Standard deals with the following:
 - a The responsibilities of the practitioner receiving an engagement to perform specific agreed-upon procedures; and
 - b The form and content of the report of factual findings. (Ref: Para. [A1](#))

Relationship with regulations on quality control

- 2 When a firm is engaged to perform agreed-upon procedures, these procedures are subject to the Regulation on Quality Control¹. This Standard includes a requirement for quality control at the level of the individual engagements to perform agreed-upon procedures. (Ref: Para. [A2](#) and [A3](#))

Description of an engagement to perform agreed-upon procedures

- 3 The practitioner and the intended users will agree to the procedures and premises applicable to the engagement.
- 4 The practitioner performs procedures, which may also occur in the performance of assurance engagements. It is the responsibility of the intended users to determine whether the procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are intended. (Ref: Para. [A4](#) and [A5](#))
- 5 The practitioner provides a report of the factual findings of the agreed-upon procedures, corroborating with the information obtained. The practitioner does not make a pronouncement with regard to the meaning of the factual findings for the underlying subject matter as a whole. The procedures are not meant for this purpose, and therefore do not form a sufficient basis for a pronouncement of the subject matter as a whole.

Although the practitioner does not express an opinion or form a conclusion regarding the subject matter as a whole, it is possible for the practitioner to issue a pronouncement regarding elements of the results. This to avoid the impression that the procedures are undertaken as part of an assurance engagement. (Ref: Para. [34](#) and m, [A6](#) and [A22](#))

- 6 The report is primarily intended for use by the parties with whom the procedures have been agreed upon. This is because the intended users need relevant knowledge of the matters concerned, perhaps in combination with other information available to them, to understand the results and to use them in an appropriate manner.

Authority of this Standard

- 7 This Standard contains the objectives that inform the practitioner in understanding what needs to be accomplished in an engagement to perform agreed-upon procedures.
- 8 This Standard contains requirements that are designed to enable the practitioner to meet the stated objectives. These requirements are expressed by using the auxiliary verb 'shall' (i.e.: 'should do something').
- 9 In addition, this Standard contains introductory material, definitions, and application and other explanatory material, that provide the context relevant to a proper understanding of the Standard.
- 10 The explanation provided in the application and other explanatory material does not have the status of a requirement, but it is relevant to the correct application of the requirements.

¹ Internationally this relates to ISQC1; in the Netherlands this relates to 'Nadere voorschriften kwaliteitssystemen'(NVKS)

Effective date

- 11 For the effective date of this Standard, please refer to the final provision established in the NBA Handbook.

Objectives

- 12 According to this Standard, the practitioner's objectives in an engagement to perform agreed-upon procedures are:
- Apply his professional expertise for the performance of procedures resulting from agreement with the intended users, and;
 - Report on factual findings in accordance with the requirements of this Standard.

Definitions

- 13 For the purpose of this Standard, the following terms have the meanings attributed below:
- Intended users* - The person, persons or group of people for whom the practitioner prepares the report. The engaging party is an intended user. (Ref: Para. [A7](#))
 - The engagement* - The engagement to perform agreed-upon procedures.
 - Factual findings* - The results of the procedures which the practitioner can support based on the information obtained. These are observations, findings or a recapitulation of them that have been objectively established at any time.
 - The report* - the report of factual findings.

For other definitions, please refer to the Handbook's Glossary of Terms.

Requirements

Conduct of an agreed-upon procedures engagement in accordance with this Standard

- 14 The practitioner shall have an understanding of the entire text of this Standard, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.

Complying with relevant requirements

- 15 The practitioner shall comply with each requirement of this Standard and the terms of the engagement, unless a particular requirement is not relevant to the engagement, for example, if the particular circumstances addressed by the requirement do not exist in the engagement.
- 16 The practitioner shall only represent compliance with this Standard if the practitioner has complied with all requirements of this Standard relevant to the engagement.

Ethical requirements

- 17 The practitioner shall comply with relevant ethical requirements (Ref: Para. [A8](#))
- 18 The practitioner does not have to be independent by performing engagements under this Standard.
- 19 However, the intended users may require the practitioner to be independent. In that case, the practitioner shall meet all of the relevant ethical requirements regarding independence of the Regulation on Independence ('Verordening inzake onafhankelijkheid accountants bij assurance-opdrachten' (ViO)).

Professional skepticism and professional judgment

- 20 The practitioner shall perform the engagement with professional skepticism. (Ref: Para. [A9](#))
- 21 The practitioner shall also exercise professional judgment in conducting the engagement. Ref: Para. [A10](#))

Engagement Level Quality control

- 22 The engagement partner shall take responsibility for:
- a The overall quality of the engagement, and;
 - b The performance of the engagement in accordance with the firm's system of quality control, by:
 - i Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements;
 - ii Being satisfied that the engagement team collectively has the appropriate competencies and capabilities to perform the engagement;
 - iii Being alert for indications of non-compliance by members of the engagement team with the relevant ethical requirements, and determining the appropriate action if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with relevant ethical requirements;
 - 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.

Definition and acceptance of the engagement

Defining the engagement

- 23 The practitioner shall determine whether the engagement to perform agreed-upon procedures is appropriate in the given circumstances. Therefore, he obtains an understanding of the expectations and information needs of the intended users and the purpose for performing the engagement. (Ref: Para. [A11](#))
- 24 The practitioner and the intended users shall agree to the procedures and premises applicable to the engagement. (Ref: Para. [A7](#))
- 25 Under certain circumstances, the practitioner will not be able to consult with all of the intended users regarding the procedures and premises. In these situations, the practitioner shall take other measures, such as:
- Discussing the procedures and premises with the most relevant representative or representatives of the intended users. The practitioner shall determine whether the representative is in fact a sufficient representative of the intended users;
 - Reading a protocol or other available information or correspondence.

Accepting an engagement and agreeing on the terms of the engagement

- 26 The practitioner and the engaging party shall agree the procedures, the engagement premises and the other terms and conditions for the engagement. (Ref: Para. [A12](#))
- 27 Prior to the performance of the engagement, the agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include:
- a The objective and scope of the engagement;
 - b The identification of the underlying subject matter;
 - c The intended users and the restrictions on distribution and use of the report;
 - d The nature, timing and extent of the engagement to perform agreed-upon procedures, and the relevant premises;
 - e A statement that the intended users are expected to determine for themselves whether the procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are intended;
 - f A statement that the practitioner does not make a pronouncement regarding the meaning of the factual findings for the underlying subject matter as a whole;
 - g A statement that the intended users are expected to make their own assessment regarding the meaning of the factual findings for the underlying subject matter as a whole, based on the factual findings and any other available information;
 - h The responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements;

- i If applicable, a statement that the practitioner shall comply with the Regulation on Independence of the ViO;
 - j A statement that the factual findings will be provided in the form of a report. (Ref: Para. [A13](#) and [A14](#))
- 28 The practitioner shall not accept the engagement if he assesses that:
- a The procedures to be performed and the factual findings are not expected to satisfy the objective or the information needs of the intended users, or;
 - b The intended users will probably interpret the results of the engagement as an practitioner's pronouncement regarding the underlying subject matter as a whole, or;
 - c The report cannot be restricted to the intended users, unless otherwise prescribed by legal requirements. (Ref: Para. [A24](#)); or
 - d The report will be used for another purpose than to which it was prepared.

Performing the engagement

- 29 The practitioner shall perform the agreed-upon procedures and provide a report of the factual findings. (Ref: Para. [A15](#), [A16](#) and [A17](#))
- 30 Before the report is issued, the practitioner shall discuss with the engaging party and the other intended users, if necessary, whether there are any matter(s) he believes are important enough to merit the intended user's attention.
- 31 If, during the course of the engagement, the practitioner becomes aware of suspected fraud or non-compliance with laws and regulations, the practitioner shall:
- a Communicate the matter with the appropriate level of management or those charged with governance;
 - b Communicate the matter with another practitioner who performs an engagement for the same entity, or who may consider to accept an engagement subject to the Standards of the Handbook, if applicable;
 - c Determine whether he should withdraw from the engagement or modify the terms of the engagement. (Ref: Para. [A18](#), [A19](#) and [A20](#))

Documentation

- 32 The practitioner shall include the following in the engagement documentation:
- a The nature, timing and extent of the agreed-upon procedures and the results of the procedures as the basis for the report of factual findings, and;
 - b Information indicating that the engagement was performed in accordance with this Standard and the terms of the engagement.

The report of factual findings

- 33 The practitioner shall record the results of his procedures in a report.
- 34 This report shall include:

General

- a Title;
- b Addressee;

Engagement

- c Identification of the underlying subject matter;
- d A description of the purpose for which the agreed-upon procedures were performed;
- e A statement that the procedures performed were those agreed upon with all the intended users ;
- f A reference to the terms of the engagement, and any statement of limited modifications to the agreed-upon procedures in the report;

Responsibilities

- g A statement that the intended users are responsible for determining whether procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are solely intended;
- h A statement that the engagement was performed in accordance with Standard 4400N: Engagements to Perform Agreed-upon Procedures;
- i A statement that the engagement was performed:
 - i In accordance with the relevant ethical requirements;
 - ii If applicable, a statement that the practitioner has complied with the Regulation on Independence of the ViO;

Procedures and factual findings

- j Identification of the agreed-upon premises;
- k A detailed description of the agreed-upon procedures and factual findings; (Ref: Para. [A6](#), [A21](#), [A22](#) and [A23](#))
- l Any description of agreed-upon procedures that the practitioner was unable to complete, and the reasons thereof;
- m A statement that the practitioner makes no pronouncement regarding the meaning of the factual findings for the underlying subject matter as a whole;
- n A statement that the intended users are expected to make their own assessment regarding the underlying subject matter as a whole, based on the factual findings in the report and other available information;

Restriction on distribution and use

- o A statement that the report is restricted to the intended users, unless otherwise prescribed by legal requirements. (Ref: Para. [A24](#))
- p A statement that the expectations and information needs of the intended users have been taken into consideration;

Signature

- q Date of practitioner's report;
- r Practitioner's address, and;
- s Signature (practitioner's name and firm's name).

- 35 The practitioner may grant the engaging party or other intended users permission to distribute the report to third parties. Such permission shall be given in writing. The practitioner shall determine whether the report is appropriate for use, as the engagement to perform agreed-upon procedures is for a specific purpose or because specific knowledge of the matters concerned is needed to understand the results and use it in an appropriate manner.
- 36 The practitioner shall date the report on or after the date on which the practitioner completed the engagement in accordance with this Standard.

Application and other explanatory material

Scope of this Standard (Ref: Para. [1](#))

- A1 This standard deals with engagements relating to both financial and non-financial information.

Relationship with regulations on quality control (Ref: Para. [2](#))

- A2 In the event of deficiencies identified in the system of quality control, that affect the engagement, the engagement partner may consider measures taken by the firm into account if he is of the opinion that these are sufficient for the engagement.
- A3 A deficiency in the firm's system of quality control does not necessarily indicate that:
 - a A specific engagement cannot be performed in accordance with the professional standards and applicable laws and regulations, or;

- b The report is not appropriate.

Description of an engagement to perform agreed-upon procedures (Ref: Para. 4 and 5)

A4 The diagram below clarifies the characteristics of an engagement to perform agreed-upon procedures by comparing them to an assurance engagement.

Subject Matter	Agreed-upon procedures engagement	Assurance engagement
Context	Private (communication with users is necessary)	Public or private
Engagement objective	Providing specific information to an intended user with some knowledge of the underlying subject matter.	Providing an opinion/conclusion regarding the fair presentation of information or compliance with prescribed requirements.
Procedures: Planning	The practitioner and the intended users agree to the procedures. It is the responsibility of the intended users to determine whether the procedures performed as agreed upon are sufficient and appropriate for the purpose for which they intend to use the report.	The practitioner determines independently which procedures are needed to express an opinion/ form a conclusion based on a standards framework.
<i>Implementation</i>	The nature of the procedures is similar.	
<i>Evaluation</i>	The user makes his own assessment regarding the meaning of the results of the procedures for his own purpose.	The practitioner evaluates the results of the procedures to form his conclusion/ express his opinion.
Reporting	Description of the factual findings.	The opinion/conclusion regarding the underlying subject matter as a whole.

A5 The diagram below compares examples of an engagement to perform agreed-upon procedures with an assurance engagement.

Description	Agreed-upon procedures engagement / Report of factual findings	Assurance engagement / Assurance report
Subject matter	<i>Purchasing costs</i>	
Engagement/question	For 10 purchasing invoices, determine that: <ul style="list-style-type: none"> • They have been booked to general ledger account XXX; • The invoices have been authorized in accordance with the authorization table, and; • The invoices have been paid to the appropriate creditor. 	Have the invoices been properly recognized in the accounting records?
Procedures <i>Planning</i> <i>Implementation</i> <i>Evaluation</i>	The procedures are the same as the engagement.	<ul style="list-style-type: none"> • Determining the approach to be used, including assessing the risk that purchasing costs have been improperly recognized; • Examine the design of internal controls; • Examine the operating effectiveness of internal controls through a partial observation of purchasing costs, including: whether they are supported by an invoice, authorized, paid and properly recognized in the accounting records; • Partial observation of purchasing costs (substantive tests); • Evaluate the accuracy of the purchasing costs.

A6 For example, the practitioner may state that the internal guidelines have been followed for eight examined statements of expenses, but does not issue a pronouncement pertaining to all statements of expenses. Another example is when the practitioner compares data from two different sources and then reports that the information in these sources reconciles. Or if the practitioner checks the calculations and reports on whether the calculations are accurate (recalculation).

The diagram below shows examples of procedures, premises and factual findings for an engagement to perform agreed-upon procedures.

Agreed-upon procedures with respect to reimbursement of expenses incurred by management	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>We examined whether the internal guidelines for expense reimbursements have been followed for the four largest reimbursement of expenses incurred by the two Board members, according to the payroll accounting records overview for the period ...</p> <p>In accordance with the terms of the engagement, we examined whether:</p> <ul style="list-style-type: none"> • A statement of expenses was present; • The statement of expenses was supported by an invoice, payment voucher or other documents; • The statement of expenses were authorized by (functionary XXX); • The expenses were permitted by internal guidelines. 	<p>Our examination shows that the internal guidelines were followed for the eight reimbursement of expenses incurred by the Board members.²</p>

Agreed-upon procedures with respect to grant recipient travel and accommodation expenses	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>The practitioner selects 12 random items from the grant recipient's travel and accommodation expenses. He examines that:</p> <ul style="list-style-type: none"> • The travel and accommodations expenses are consistent with the common internal travel policy. The grant recipient has provided a basis for the common travel expenses policy, so that the practitioner can compare the selected items of the travel expenses with the policy (for example the use of first-class tickets, reimbursement based on actual costs or a fixed amount); • The items have a direct connection to the funded project, as supported by relevant documents (such as minutes of meetings, information from workshops and conferences, consistency as to dates/duration of the workshop/conference); • These expenses are eligible for grant and are not excessive or irresponsible expenses. 	<p>Our examination shows that for the 12 items examined:</p> <ul style="list-style-type: none"> • Expenses have been incurred, approved and reimbursed in accordance with the common travel policy. • There is a direct connection between the expenses and the project, and that the evidence is consistent with the subject of the travel, the dates and duration. • These expenses are eligible for grant and are not excessive or irresponsible expenses.

² The practitioner may consider providing an attachment with the selected items.

Agreed-upon procedures regarding key figures	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>We have received the calculation of ratio xxxx (as of date) and have examined whether:</p> <ul style="list-style-type: none"> • The calculation method used reconciles with the prescribed method [date]; • The ratio calculated by you is based on the information provided in the audited financial statements [period of the entity]; • The calculations have been re-calculated and are accurate. 	<p>Our examination shows that:</p> <ul style="list-style-type: none"> • In the calculation of ratio xxxx, the revenue for product X [ad. amount] has not been included. According to the prescribed method, this is part of ratio xxxx. • The information used is in accordance with audited financial statements. • The calculation method for ratio xxxx is mathematically accurate.

Other examples of premises include requirements listed in an protocol for the practitioner, requirements from a contract, and agreements made between the engaging party and the user(s).

Definitions (Ref: Para. [13a](#))

A7 Users

The following groups of users are acknowledged:

Intended users: The users who are known to the practitioner upon accepting the engagement, and with whom he consults regarding the procedures and premises. These include:

- Engaging party:
The practitioner and this user agree to the terms of the engagement, including the procedures and the engagement premises. He is the person who is legally authorized to sign the engagement.
- Other users with whom the practitioner consults regarding the procedures and premises.

Other users:

- Users who are announced at a later time.
Users who are not known to the practitioner upon acceptance of the engagement, and who indicate that they wish to use the report at a later time. The practitioner may grant separate permission for this, after he has determined that the report is appropriate for use. (Ref: Para. [35](#)).
- Unknown users
Users who are completely unknown to the practitioner. These include users who obtain the report under the law. The practitioner bears no responsibility for use of the report by this group of users. He cannot determine for which purpose they wish to use the report, or if they possess the knowledge of the matters concerned necessary to understand the results and to use them in an appropriate manner.

Ethical requirements (Ref: Para. [17](#)).

A8 The Dutch Code of Ethics states the fundamental principles with which the practitioner is required to comply, and provides a conceptual framework for the application of these principles. The fundamental principles are:

- Integrity;
- Objectivity;
- Professional competence and due care;
- Confidentiality; and
- Professional behavior.

Compliance with the Dutch Code of Ethics requires that any threats to the relevant fundamental principles be identified and responded to in an appropriate manner.

Professional skepticism and professional judgment (Ref: Para. 20 and 21)

- A9 The practitioner uses his professional skepticism including in the critical assessment of information during the performance of the procedures. This includes being alert to the following:
- a Information that is inconsistent or contradictory;
 - b Information that brings into question the reliability of documents and responses received;
 - c Considering whether the information sufficiently supports the reported factual findings.
- A10 The practitioner uses his professional judgment when making a variety of assessments during the engagement. For this purpose, the practitioner uses his knowledge, experience and relevant training in the context of the Standard and ethical principles. This includes:
- a The assessment whether the engagement is appropriate under the given circumstances;
 - b Helping the intended user to determine the procedures and premises, and whether these are sufficient to meet the expectations and information needs of the intended user.
 - c Determining whether findings should be reported;
 - d Considering whether he should withdraw from the engagement or modify the terms of the engagement in the event of suspected fraud or non-compliance with laws and regulations.

Definition and acceptance of the engagement (Ref: Para. 23 to 28)

Defining the engagement (Ref: Para. 23).

- A11 Care should be taken when determining whether the engagements actually involve 'agreed-upon procedures', or if they can be expected to be performed as part of an audit or other assurance engagement. For example, the content of mandates within the public sector can vary widely.

Accepting an engagement and agreeing the terms of the engagement (Ref: Para. 26 and 27)

- A12 It is possible for intended users other than the engaging party to sign the engagement letter.
- A13 It may occur that the practitioner is not able to perform the planned procedures as part of an engagement, but may be able to perform other procedures. In this case, the practitioner consults with the intended users regarding modifying the terms of the engagement.

When the engaging party wants that other procedures are performed, then it will usually be necessary to revise the engagement letter as well. Limited modifications may require only a statement in the report of factual findings.

- A14 The practitioner may consider to include an example of the lay-out of the report of factual findings in the engagement letter (see illustrative reports Handbook part 3).

Performing the engagement (Ref: Para. 29 and 31)

- A15 The procedures may consist of:
- Inquiry;
 - Analytical procedures;
 - Recalculation;
 - Observation;
 - Inspection;
 - External confirmation.

In principle, statistical sampling is used to arrive at a conclusion regarding the whole population with a certain basis for conclusions. As a result, statistical samples are not appropriate for a 4400 engagement.

- A16 When performing analytical procedures, the practitioner may use the intended users' expectation of numbers or ratios. These can then be included as a premise in the terms of the engagement or in the report, for example.
- A17 If the practitioner uses the work of an expert, then the practitioner may:

- Evaluate the adequacy of the work of the expert, including his objectivity and expertise in the performance of the procedures;
- Determine whether the work performed corresponds with the procedures described in the terms of the engagement.

A18 Paragraphs [31](#), [A19](#) and [A20](#) are intended for a situation in which the practitioner becomes aware of suspected fraud or non-compliance with laws and regulations during the course of the engagement. These paragraphs are not intended for a situation in which an practitioner is asked to perform agreed-upon procedures in the context of a suspected fraud or non-compliance with laws and regulations.

A19 In such a case, the practitioner will determine whether he is required to report a suspected fraud or non-compliance with laws and regulations to an authority outside the entity, as stipulated in the Anti Money Laundering and Terrorist Financing Act ('Wet ter voorkoming van witwassen en financieren van terrorisme' (Wwft)).

A20 The practitioner reports any factual findings that were found in the performance of the engagement. For example: a signature deviates from the original signature list, or an invoice is not the original one. Unless the engagement is focused on this aspect, the practitioner should not include a suspected fraud or non-compliance with laws and regulations in the report, nor should he use these terms in the report. If there is a suspected fraud or non-compliance with laws and regulations, then a new engagement would be needed to investigate this.

The report of factual findings (Ref: Para. [34j](#), [34n](#))

A21 The level of detail in the description of the factual findings is such that it enables the intended users to make their own assessment regarding the meaning of the factual findings for the underlying subject matter.

One attention point is the provision of adequate reference to source information, such as:

- Describing the extent of a partial observation, and what it is based upon (period, source, from number ... to ...);
- Indicating if information was obtained upon inquiry.

For examples, please refer to paragraph [A6](#).

A22 Terms that are less appropriate for use in a report include: 'assurance', 'audit', 'review', 'opinion', 'conclusion', 'fair presentation'. These concepts are related to providing assurance under the Standards of the Handbook.

A23 It is possible that an practitioner has observations based on the agreed-upon procedures, as he would in an audit or review engagement. If the practitioner wishes to report these observations (recommendations) in writing, then due to the nature of the engagement it seems appropriate to include them in a separate report or in a clearly differentiated part of the report. Due to the nature of the engagement performed (agreed-upon procedures), these observations may be limited. The practitioner should determine whether such limitations are present, and explain them in the separate report or clearly differentiated part of the report. In principle, the separate report is intended solely for the use of the engaging party.

A24 An exception to restriction on distribution is imposed if law or regulation require otherwise, as is the case with the 'Act on public access to government information' ('Wet openbaar bestuur' (Wob)). The premise in this law is that government information is always public, unless this law or other legislation determines that the requested information is not appropriate to disclose.

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Appendix : Illustrative report of factual findings in accordance with Standard 4400N ‘Engagements to perform agreed-upon procedures’

An agreed-upon procedures report on reimbursement of expenses incurred by management

To: The Board of XXX B.V.

Engagement

We have performed the agreed-upon procedures with respect to reimbursement of expenses incurred by management during the period The engagement was agreed upon with you, with the purpose of enabling the exercise of supervision by the Supervisory Board on reimbursement of expenses incurred. The procedures and premises were discussed with the intended users: the Board of Directors and the Supervisory Board. The terms of the engagement are described in our engagement letter of ... (date of engagement letter).

Responsibilities

It is your responsibility to determine whether the procedures performed as agreed upon are sufficient and appropriate for the purpose described above.

The engagement is performed in accordance with the Dutch Standard 4400N ‘Engagements to perform agreed-upon procedures’. This requires that we comply with all relevant ethical requirements of the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants: VGBA). [**Optional:** *Furthermore, we have complied with the Dutch Regulation on independence (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten: ViO).*]

Procedures and factual findings

This section includes a description of the principles, agreed-upon procedures and factual findings. We make no pronouncement regarding the meaning of the expenses reimbursed to the Board of Directors as a whole. You should make your own assessment in this regard, in which you may use this report of factual findings and any other available information.

We have determined whether the internal guidelines for expense reimbursements have been followed for the four largest reimbursements of expenses incurred by the two Board members, according to the payroll accounting records overview for the period ... In accordance with the terms of the engagement, we examined whether:

- a statement of expenses was present;
- the statement of expenses was supported by an invoice or payment voucher;
- the statements of expenses were authorized by (functionary XXX);
- the expenses were permitted by internal guidelines.

Our examination shows that the internal guidelines were followed for the reimbursement of expenses incurred by the Board members.¹

Restrictions on distribution and use

This report is prepared on the basis of the expectations and information needs of the intended users. Therefore it is intended solely for the Supervisory Board and the Board of Directors. We kindly request you not to distribute this report to other parties without our prior explicit written consent, unless otherwise prescribed by legal requirements.

Place and date

¹The practitioner may consider providing an attachment with the selected items.

... (name firm)

... (name practitioner)