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submitted by email & by the IFAC-website

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Date	Re	Our ref	Attachment
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Dear Mr. Schilder

Introduction and main issues

The NBA appreciates the opportunity to share our views and provide input on the Exposure Draft *Proposed International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements* (hereafter the 'ED' and 'AUP'). We will start with an introduction and main issues and we will provide our responses to IAASB's specific questions afterwards.

We support the revision of ISRS 4400 with the public interest in the forefront. The current standard is outdated and often leads to questions or issues in practice and sometimes even to disciplinary cases. With the growing demand for AUP engagements in the Netherlands and Europe, we have developed a Dutch clarified Standard 4400N 'Agreed-Upon Procedures Engagements' (AUP) to explain the purpose of the engagement, what the report means for the intended user and what the role is of the intended user. We have enclosed the Dutch Standard 4400N in Appendix I and will refer to the respective paragraphs to illustrate and share our ideas on enhancing ISRS 4400.

In our opinion, the ED is an excellent opportunity to enhance the added value of a practitioner to an AUP engagement which lies predominantly in using professional judgment. However, by restricting professional judgment and not allowing to give some interpretation to the findings, the added value is not fully exploited. Why would someone involve a professional accountant to perform this engagement if it can also be done by others that execute predefined tasks? To that end, we recommend the IAASB to revisit the limited extent of professional judgment that is allowed.

We also recommend to include that the agreement of procedures to be performed should be between the practitioner, the engaging party and the intended user. Furthermore, we recommend to give concrete appropriate actions of what the practitioner should do when he becomes aware of identified or suspected fraud or non-compliance with laws or regulations. Finally, we recommend to include professional skepticism in the standard.

Overall Question

- 1) *Has ED-4400 been appropriately clarified and modernized to respond to the needs of stakeholders and address public interest issues?*

The value of an Agreed-Upon Procedures Engagement

It is stated that the value of an AUP (see paragraph 4) lies in complying with professional standards and clear communication. We believe that the value also lies in using

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sional judgment (see also question 2) and in responding to the needs of the intended users (see further explanation below).

Intended users

In the ED, agreement of the procedures is performed between practitioner and engaging party. By specifically responding to the needs of stakeholders and address public interest issues, we believe that the objective of the ED and the agreement with the intended users should be as follows:

Para.	Dutch Standard 4400N, <i>Engagements to Perform Agreed-upon Procedures</i>
12	According to this Standard, the practitioner's objectives in an engagement to perform agreed-upon procedures are to: <ul style="list-style-type: none"> a Apply his professional expertise for the performance of procedures resulting from agreement with the intended users, and; b Report on factual findings in accordance with the requirements of this Standard.
15	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: <ul style="list-style-type: none"> • 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.

We believe that the agreement of procedures to be performed should be between the practitioner, the engaging party and the intended users. The AUP is performed for the benefit of the intended users. The practitioner should understand what their information needs are and agree on how this can best be achieved by performing procedures that respond to those needs. 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. The intended users need relevant knowledge of the matters concerned to understand the results and to use them in an appropriate manner.



Fraud and NOCLAR

The ED does not give concrete appropriate actions of what the practitioner should do when he becomes aware of identified or suspected fraud or non-compliance with laws or regulations. In our opinion, the practitioner has to take one or more of the following actions, which are not described in the requirements of the ED:

Para.	Dutch Standard 4400N, <i>Engagements to Perform Agreed-upon Procedures</i>
31	If, during the course of the engagement, the practitioner becomes aware of an identified or suspected fraud or non-compliance with laws and regulations, the practitioner shall: <ul style="list-style-type: none"> a Communicate the matter with management or those charged with governance, where appropriate; b Inform those responsible auditors from outside the client about the matter if he knows that they are performing an engagement at the client, it is important for the performance of their engagement to be aware of this matter and they are not informed in time by the client; c Determine whether he should withdraw from the engagement or modify the terms of the engagement.
A19	In such a case, the practitioner will determine whether he is required to report an identified or 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)). <p>The Regulations on NOCLAR ('Nadere Voorschriften NOCLAR') may determine responsibilities including reporting to an appropriate authority outside the entity when this is appropriate in the circumstances.</p>

We recommend to explicitly incorporate the aforementioned in the requirements and not only (partly) in the Introduction and Application and Other Explanatory Material.

The differences between AUP and Assurance Engagements

Although the differences between AUP and Assurance Engagements are mentioned and it is highlighted that the engagements are not the same, the use of a tabular format in the ED may also help in comparing the engagement types and make clear what the differences are:

In the Dutch Standard 4400N, *Engagements to Perform Agreed-upon Procedures*, we have pointed out the differences as follows (see paragraph A5):

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.
Implementation	The nature of the procedures is similar.	
Evaluation	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.



Unnecessarily lengthy and repetitive

The ED is lengthy and repetitive compared to the old ISRS 4400. We do understand that reference is made to the (revised) ISQC1, but we think that this can be done with less paragraphs. In the application and other explanatory material often references are often made to the requirements and the text is duplicated. We consider this unnecessary and recommend to eliminate duplicated texts by reducing the paragraphs relating to ISQC1 and to limit its content to guidance that is necessary to assist practitioners in understanding the requirements and focusing on the key concepts.

Professional skepticism

In the ED there is no reference made to the professional skepticism of the practitioner. In our opinion, professional skepticism is also crucial in performing AUP engagements. The procedures are similar to procedures performed for an assurance engagement. The practitioner applies his professional skepticism with the critical assessment of information during the performance of the procedures. The concept of professional skepticism also expresses an attitude of a practitioner that is expected by the general public.

In our application and other explanatory paragraphs we give the following explanation for the use of professional skepticism:

Para.	Dutch Standard 4400N, <i>Engagements to Perform Agreed-upon Procedures</i>
A9	<p>The practitioner uses his professional skepticism including the critical assessment of information during the performance of the procedures. This includes being alert to the following:</p> <ul style="list-style-type: none"> 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.

Specific Questions

- 2) *Do the definition, requirement and application material on professional judgment in paragraphs 13(j), 18 and A14-A16 of ED-4400 appropriately reflect the role professional judgment plays in an AUP engagement?*

We believe that the role of professional judgment should be broader than mentioned in the ED. We understand that the role of professional judgment in an AUP is different than in an audit, but in our opinion professional judgment at an AUP engagement goes beyond professional competence and due care. It is possible that the practitioner gives an interpretation of the findings, for instance in a summary report. In this (summary) report the preconditions and assumptions should be described clearly to explain the interpretation. With this (summary) report including interpretation he can help the intended user in his decision-making process. To that end, we recommend to delete the last sentence of paragraph A16 "The more a procedure requires professional judgment, the more the practitioner may need to consider whether the condition that the agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations is present." On the contrary, professional judgment is eminently the added value of the practitioner, also in an AUP.

For example, the practitioner can report that the internal guidelines are followed for twelve investigated expense reports, but he does not make a statement about all of the expense reports (see example below). 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.

Exercising professional judgment also means considering whether or not to withdraw from the engagement or amend it in the event of identified or suspected fraud or non-compliance.



Para.	Dutch Standard 4400N, <i>Engagements to Perform Agreed-upon Procedures</i>	
A6	Agreed-upon procedures with respect to grant recipient travel and accommodation expenses	
	<p><i>Procedures and premises</i></p> <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); 	<p><i>Factual findings to be reported</i></p> <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.

	<ul style="list-style-type: none"> • 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. 	
A10	<p>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:</p> <ol style="list-style-type: none"> 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. 	

- 3) *Do you agree with not including a precondition for the practitioner to be independent when performing an AUP engagement (even though the practitioner is required to be objective)? If not, under what circumstances do you believe a precondition for the practitioner to be independent would be appropriate, and for which the IAASB would discuss the relevant independence considerations with the IESBA?*

Yes, we agree. Independence is not a requirement when performing an AUP, only objectivity is required. It is possible for the specific intended users to evaluate the objectivity of the practitioner. They can also request compliance with independence rules to be a part of the engagement as added value.



- 4) *What are your views on the disclosures about independence in the AUP report in the various scenarios described in the table in paragraph 22 of the Explanatory Memorandum, and the related requirements and application material in ED-4400? Do you believe that the practitioner should be required to make an independence determination when not required to be independent for an AUP engagement? If so, why and what disclosures might be appropriate in the AUP report in this circumstance.*

In our opinion it is not necessary to make a disclosure of the practitioner's independency when this is not a requirement, and especially when the practitioner has not determined independence. Why make a disclosure about non-independence when this is not a requirement at all? We consider determining independence an unnecessary and unwanted threshold for an AUP-engagement. An alternative for a statement in the report is by mentioning that independence is not a requirement at a AUP-engagement.

- 5) *Do you agree with the term "findings" and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED-4400?*

We agree because the term "findings" as stated in paragraph A11 may be replaced with "factual findings" in some jurisdictions. However, we do not agree with the definition of findings which excludes opinions or conclusions in any form. This leaves no room for interpretation. It is true that the practitioner does not make a statement about the meaning of the findings for the object as a whole ("assurance"), but the practitioner can give an interpretation of the findings. For example, the practitioner may state that the internal guidelines have been followed for twelve examined statements of expenses, but does not issue a pronouncement pertaining to all statements of expenses.

- 6) *Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED-4400, appropriate?*

The paragraphs regarding engagement acceptance and continuance are appropriate. Nevertheless, more attention should be paid to understanding the expectations and the information needs of the intended users and not only the engaging party. In the ED this is done by the engaging party. In our opinion this should be done by the practitioner. Also more situations can be mentioned when the practitioner should not accept the engagement.

Para.	Dutch Standard 4400N, <i>Engagements to Perform Agreed-upon Procedures</i>
28	<p>The practitioner shall not accept the engagement if he assesses that:</p> <ul style="list-style-type: none"> 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.; or d The report will be used for another purpose than to which it was prepared.

7) *Do you agree with the proposed requirements and application material on the use of a practitioner's expert in paragraphs 28 and A35-A36 of ED-4400, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED-4400?*

We agree with the paragraphs on the use of a practitioner's expert. However, we think that this should be broadened to include a management's expert which may also be involved. Furthermore, we would prefer not to refer to the expert in the practitioner's report, unless this is required by law or regulation. Although it is stated that the responsibility of the practitioner is not diminished, this may seem the case if reference is made to the expert in the report.

8) *Do you agree that the AUP report should not be required to be restricted to parties that have agreed to the procedures to be performed, and how paragraph A43 of ED-4400 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?*

We do not agree with this statement. We would rather see the report to be restricted to parties that have agreed to the procedures to be performed. The report is meant for the intended users. The procedures are tailored to the information needs of the intended users and not for others.

We also recognize that some users are completely unknown for the practitioner because for instance they can obtain a report by law. The practitioner should bear no responsibility for use by this group of users. He cannot ascertain for which purposes 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. We recommend to make this distinction in the ED.

9) *Do you support the content and structure of the proposed AUP report as set out in paragraphs 30-32 and A37-A44 and Appendix 2 of ED-4400? What do you believe should be added or changed, if anything?*

We have some additions and/or modifications to the report. We recommend to clearly state the responsibilities of the practitioner and the intended users. A statement should be included 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. Furthermore, we question whether reference should be made to ISQC1 in the report. This is also not explicitly done in most other engagements (only in ISAE 3000, but not in ISRE 2400 and ISRS 4410). In addition, we note that increased use of headings and sub-headings may also help in the organization and readability of the content. Finally, the two examples provided do not cover all situations. For example, we would like to see an example where the intended user is different from the engaging party,



Request for General comments

10 (a) Translations—recognizing that many respondents may intend to translate the final ISRS for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-4400.

There is a difference between general usage of certain terms in society and the specific usage of the terminology in the pronouncements of the IAASB (conclusion, to review, assurance). We recommend to make clear that the practitioner does not make a statement about the meaning of the findings for the object as a whole ('assurance').

We requested an organization specialized in language (BureauTaal) to analyze the ED. We asked them to analyze how the ED could be simplified and how plain language could be used. In Appendix 2 their suggestions are included in track changes and comments.

10 (b) Effective Date—Recognizing that ED-4400 is a substantive revision and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for AUP engagements for which the terms of engagement are agreed approximately 18–24 months after the approval of the final ISRS. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISRS. Respondents are also asked to comment on whether a shorter period between the approval of the final ISRS and the effective date is practicable.

We consider a period of 18-24 months for implementation after approval of the final ISRS a reasonable period.

Closing remarks

For further information, please contact Jan Thijs Drupsteen (J.Th.Drupsteen@nba.nl).

Yours sincerely

Royal NBA,
Dutch Ethics & Assurance Standards Board



Signed by

Anton Dieleman RA
Chairman

Appendix 1: Dutch clarified Standard 4400N
Appendix 2: Analysis of the proposed IAASB ISRS 4400

This document uses bookmarks

Unofficial translation

Standard 4400N

Engagements to perform agreed-upon procedures

28 February 2019

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

Contents

Introduction	3
Scope of this Standard	3
Description of an engagement to perform agreed-upon procedures	3
Authority of this Standard	3
Effective date	4
Objectives	4
Definitions	4
Requirements	4
Conduct of an agreed-upon procedures engagement in accordance with this Standard	4
Ethical requirements	4
Professional skepticism and professional judgment	4
Engagement Level Quality control	5
Definition and acceptance of the engagement	5
Performing the engagement	6
Documentation	6
The report of factual findings	6
Application and other explanatory material	7
Scope of this Standard	7
Description of an engagement to perform agreed-upon procedures	8
Definitions	11
Ethical requirements	11
Professional skepticism and professional judgment	12
Definition and acceptance of the engagement	12
Performing the engagement	12
The report of factual findings	13

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:
- a Apply his professional expertise for the performance of procedures resulting from agreement with the intended users, and;
 - b 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:
- a *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](#))
 - b *The engagement* - The engagement to perform agreed-upon procedures.
 - c *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.
 - d *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 an identified or suspected fraud or non-compliance with laws and regulations, the practitioner shall:
- a Communicate the matter with management or those charged with governance, where appropriate;
 - b Inform those responsible auditors from outside the client about the matter if he knows that they are performing an engagement at the client, it is important for the performance of their engagement to be aware of this matter and they are not informed in time by the client;
 - 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.
- 33 The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative processes of assembling the final audit file on a timely basis after the date of the report. (Ref: Para. [A25](#))

The report of factual findings

- 34 The practitioner shall record the results of his procedures in a report.
- 35 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).

- 36 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.
- 37 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 an identified or 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)).

The Regulations on NOCLAR ('Nadere Voorschriften NOCLAR') may determine responsibilities including reporting to an appropriate authority outside the entity when this is appropriate in the circumstances.

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.

Documentation (Ref. Para. [33](#))

- A25 An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 2 months after the date of the report.

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Explanation of the approach by BureauTaal

We have tried to adjust the text, trying to make it easier and more accessible. First we explain what we did and why. In the text itself on the following pages you see our changes.

Our approach

We did not make any changes to the format and the structure of the text. On a number of points this text is clear and well organized:

- The structure of the text is clear. There are many short paragraphs and the text is divided into chapters and paragraphs.
- The headings / titles are clear and informative for the target group.
- There are enumerations in the text.
- The lists of instructions are concrete.

The changes that we made:

- In certain instances we made the structure of a paragraph more logical. This can be achieved, for example, by starting with the most important part.
- We sometimes made a paragraph more coherent. For example, by referring back to a previous sentence with a reference word.
- We sometimes made sentences shorter and simpler.
- We have made some formulations personal or active, instead of impersonal and passive. That makes the text more appealing and more concrete.

BUREAU

[TAAI]

**INTERNATIONAL STANDARD ON
RELATED SERVICES 4400 (REVISED)
AGREED-UPON PROCEDURES ENGAGEMENTS**

(Effective for agreed-upon procedures engagements
for which the terms of engagement are agreed on or after [DATE])

CONTENTS

	Paragraph
Introduction	
Scope of this ISRS.....	1–3
The Agreed-Upon Procedures Engagement	4–6
Authority of this ISRS	7–10
Effective Date	11
Objectives	12
Definitions	13
Requirements	
Conduct of an Agreed-Upon Procedures Engagement in Accordance with this ISRS	14–16
Relevant Ethical Requirements	17
Professional Judgment	18
Engagement Level Quality Control	19
Engagement Acceptance and Continuance	20–21
Agreeing the Terms of the Engagement	22–25
Performing the Agreed-Upon Procedures	26–27
Using the Work of a Practitioner’s Expert	28
The Agreed-Upon Procedures Report	29–32
Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement.....	33
Documentation.....	34
Application and Other Explanatory Material	
Scope of this ISRS.....	A1–A8
Definitions	A9–A11
Relevant Ethical Requirements	A12–A13
Professional Judgment	A14–A16
Engagement Level Quality Control	A17–A19
Engagement Acceptance and Continuance	A20–A29
Agreeing the Terms of the Engagement	A30–A32
Performing the Agreed-Upon Procedures	A33–A34
Using the Work of a Practitioner’s Expert	A35–A36
The Agreed-Upon Procedures Report	A37–A44
Undertaking an Agreed-Upon Procedures Engagement Together with Another Engagement	A45
Documentation.....	A46
Appendix 1: Illustrative Engagement Letter for an Agreed-Upon Procedures Engagement	
Appendix 2: Illustrations of Agreed-Upon Procedures Report	

International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*, should be read in the context of the *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Introduction

Scope of this ISRS

- 1 This International Standard on Related Services (ISRS) deals with:
 - (a) The practitioner's responsibilities when engaged to perform agreed-upon procedures; and
 - (b) The form and content of the agreed-upon procedures report.
- 2 This ISRS applies to the performance of agreed-upon procedures engagements on financial or non-financial subject matters. (Ref: Para. A1–A2)

Relationship with ISQC 1¹

- 3 Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1 applies to firms of professional accountants in respect of a firm's agreed-upon procedures engagements. The provisions of this ISRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the following basis: ~~that the~~ The firm is subject to ISQC 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)

The Agreed-Up Procedures Engagement

- 4 In an agreed-upon procedures engagement, the practitioner performs procedures agreed upon by the practitioner and the engaging party, ~~and The practitioner~~ communicates the procedures performed and the related findings in the agreed-upon procedures report. The value of an agreed-upon procedures engagement performed in accordance with this ISRS results from:
 - (a) The practitioner's compliance with professional standards, including relevant ethical requirements; and
 - (b) Clear communication of the procedures performed and the related findings.The engaging party acknowledges the appropriateness of the procedures for the purpose of the engagement. The engaging party and intended users assess for themselves the procedures and findings reported by the practitioner. ~~A and they~~ draw their own conclusions from the work performed by the practitioner.
- 5 In an agreed-upon procedures engagement, the practitioner does not perform an audit, review or other assurance engagement. The agreed-upon procedures engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or conclusion in any form.
- 6 Law, regulation or relevant ethical requirements may establish responsibilities for the practitioner regarding fraud or an entity's non-compliance with laws or regulations.² The practitioner's responsibilities in responding to identified or suspected fraud or non-compliance with laws and regulations may include:
 - communicating with the engaging party;³
 - assessing the appropriateness of the engaging party's response;³
 - determining whether further action is needed;³ and
 - preparing adequate documentation.

Authority of this ISRS

- 7 This ISRS contains the objectives of the practitioner in following the ISRS, which provide the context in which the requirements of this ISRS are set. The objectives are intended to assist the practitioner in understanding what needs to be accomplished in an agreed-upon procedures engagement.
- 8 This ISRS contains requirements, expressed using "shall," ~~that are designed to enable the practitioner to meet the stated objectives.~~
- 9 In addition, this ISRS contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of this ISRS.
- 10 The application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. ~~While such guidance does not in itself impose a requirement, it is~~

¹ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*

² The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) (Section 360) 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.

~~relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ISRS that assists in the application of the requirements.~~

Effective Date

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

Objectives

- 12 The practitioner's objectives in an agreed-upon procedures engagement under this ISRS are ~~to~~as follows:
- (a) ~~Agree~~To agree the procedures to be performed with the engaging party;
 - (b) ~~To Perform~~perform the agreed-upon procedures; and
 - (c) ~~To C~~ommunicate the procedures performed and the related findings in accordance with the requirements of this ISRS.

Definitions

- 13 For purposes of this ISRS, the following terms have the meanings attributed below:
- (a) Agreed-upon procedures – Procedures that have been agreed to by the practitioner and the engaging party.
 - (b) Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party have agreed, ~~and to~~The practitioner communicates the procedures performed and the related findings in an agreed-upon procedures report. The practitioner does not express an opinion or conclusion on the results of the procedures performed.
 - (c) Engagement partner – The partner or other person in the firm:
 - ~~who~~ who is responsible for the engagement and its performance; ~~and~~
 - who is responsible for the agreed-upon procedures report that is issued on behalf of the firm; ~~and~~
 - ~~who, where required,~~ has the appropriate authority from a professional, legal or regulatory body, where required.
 - (d) Engaging party – The party(ies) that engages the practitioner to perform the agreed-upon procedures engagement. (Ref: Para. A9)
 - (e) Engagement team – All partners and staff performing the agreed-upon procedures engagement, ~~and~~The team includes any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes a practitioner's external expert engaged by the firm or a network firm.
 - (f) Findings – Findings are the factual results of procedures performed. Findings are capable of being objectively verified and objectively described. ~~Accordingly~~When this ISRS refers to, ~~references to findings,~~ those references in this ISRS exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make. (Ref: Para. A10–A11)
 - (g) Intended users – The individual(s) or organization(s), or group(s) that the practitioner expects will use the agreed-upon procedures report. In some cases, there may be intended users other than those to whom the agreed-upon procedures report is addressed.
 - (h) Practitioner – The individual(s) conducting the engagement, ~~(usually this is the engagement partner or other members of the engagement team, or the firm, as applicable, the firm).~~ Where this ISRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "practitioner" is used.
 - (i) Practitioner's expert – An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner in performing agreed-upon procedures. A practitioner's expert may be ~~either~~ a practitioner's internal expert, ~~(who is This could be~~ a partner or staff, including temporary staff, of the practitioner's firm or a network firm, ~~) or~~ Or a practitioner's expert may be an external expert.
 - (j) Professional judgment – The application of relevant training, knowledge and experience, ~~within the context provided by professional standards,~~ in making informed decisions about the courses of action that are appropriate in the circumstances of the agreed-upon procedures engagement. This within the context provided by professional standards.
 - (k) Relevant ethical requirements – Ethical requirements the engagement team is subject to when undertaking agreed-upon procedures engagements. These requirements ordinarily comprise the IESBA Code together with national requirements that are more restrictive.

Requirements

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

- 14 The practitioner shall have an understanding of the entire text of this ISRS, ~~and~~ This includes 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 ISRS unless a particular requirement is not relevant ~~to the agreed-upon procedures engagement, for example, if the circumstances addressed by the requirement do not exist in the engagement.~~
- 16 The practitioner shall ~~not only~~ represent compliance with this ISRS ~~unless if~~ the practitioner has complied with all requirements of this ISRS relevant to the agreed-upon procedures engagement.

Relevant Ethical Requirements

- 17 The practitioner shall fulfill the practitioner's responsibilities in accordance with relevant ethical requirements. (Ref: Para. A12–A13)

Professional Judgment

- 18 The practitioner shall apply professional judgment in accepting and conducting an agreed-upon procedures engagement, ~~and~~ Meanwhile the practitioner shall take into account the circumstances of the engagement. (Ref: Para. A14–A16)

Engagement Level Quality Control

- 19 The engagement partner shall take responsibility for:
- (a) The overall quality of the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert; and (Ref: Para. A17)
 - (b) The engagement being performed in accordance with the firm's quality control policies and procedures by:
 - (i) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. A18)
 - (ii) Being satisfied that the engagement team, and any practitioner's experts ~~who are not part of~~ outside the engagement team, collectively have the appropriate competence and capabilities to perform the agreed-upon procedures engagement;
 - (iii) Being alert for indications of non-compliance by members of the engagement team with relevant ethical requirements, ~~and~~ Furthermore determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with relevant ethical requirements; (Ref: Para. A19)
 - (iv) Directing, supervising and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and
 - (v) Taking responsibility for appropriate engagement documentation being maintained.

Engagement Acceptance and Continuance

- 20 Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present: (Ref: Para. A20–A29)
- (a) The engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement; and
 - (b) The agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations.
- 21 Before accepting an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept the engagement in all circumstances. This will happen if the practitioner is aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A26, A29)

Agreeing the Terms of the Engagement

- 22 The practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party. These terms shall include the following:
- (a) The nature of the agreed-upon procedures engagement, This includes a statement that the procedures to be performed do not constitute a reasonable or limited assurance engagement.

- and accordingly, the practitioner does not express an opinion or conclusion;
- (b) Acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement;
- (c) The purpose of the engagement and the intended users of the agreed-upon procedures report as identified by the engaging party;
- (d) Acknowledgement of the relevant ethical requirements, ~~with which it~~ The practitioner will comply ~~with them~~ in conducting the agreed-upon procedures engagement. ~~If it may be possible that and whether~~ the practitioner is required to be independent;
- (e) Identification of the subject matters on which the agreed-upon procedures will be performed;
- (f) The nature, timing and extent of the procedures to be performed;
- (g) Reference to the expected form and content of the agreed-upon procedures report; and
- (h) Identification of the addressee of the agreed-upon procedures report.

23 ~~Where it is possible that~~ the agreed-upon procedures ~~are~~ modified over the course of the engagement. ~~In those cases~~ the practitioner shall agree amended terms of ~~the~~ engagement with the engaging party that reflect the modified procedures. (Ref: Para. A30)

24 The practitioner shall record the agreed terms of ~~the~~ engagement in an engagement letter or other suitable form of written agreement. (Ref: Para. A31)

Recurring Engagements

25 On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, ~~including changes in the engagement acceptance considerations~~, require the terms of the engagement to be revised. ~~The circumstances include changes in the engagement acceptance considerations. The practitioner shall also evaluate and~~ whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A32)

Performing the Agreed-Up Procedures

26 The practitioner shall perform the procedures as agreed upon in the terms of the engagement. (Ref: Para. A33)

27 The practitioner shall consider whether it is necessary to request written representations from the engaging party. (Ref: Para. A34)

Using the Work of a Practitioner's Expert

28 If the practitioner uses the work of a practitioner's expert, the practitioner shall: (Ref: Para. A35–A36)

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

The Agreed-Up Procedures Report

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

30 The agreed-upon procedures report shall include: (Ref: Para. A37–A39)

- (a) A title that clearly indicates that the report is an agreed-upon procedures report;
- (b) An addressee as set forth in the terms of the engagement;
- (c) Identification of the subject matters on which the procedures have been performed;
- (d) A statement that the engagement was performed in accordance with ISRS 4400 (Revised);
- (e) A statement that the firm of which the practitioner is a member applies:
 - ISQC 1, or
 - other professional requirements, or
 - requirements in law or regulation, that are at least as demanding as ISQC 1.~~This does not apply if the practitioner is not a professional accountant. Then~~ the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQC 1;
- (f) With respect to independence:
 - (i) If ~~the practitioner is~~ required to be independent by relevant ethical requirements, terms of

- the engagement, or other reasons;
- a statement that the practitioner is independent and the basis therefor; or
- (ii) If the practitioner is not required to be independent by relevant ethical requirements, terms of the engagement, or other reasons; either:
 - a. A statement that the practitioner is not required to be independent; or
 - b. If a determination has been made that the practitioner is independent, a statement to that effect and the basis therefor; (Ref: Para. A40)
- (g) When it is known that the practitioner is not independent, a statement to that effect; (Ref: Para. A41–A42)
- (h) A description of an agreed-upon procedures engagement ~~stating that~~ states as follows:
 - (i) An agreed-upon procedures engagement involves ~~that~~ the practitioner performing the procedures that have been agreed to by the practitioner and the engaging party; ~~and~~ And that the practitioner reports the findings based on the procedures performed; and
 - (ii) The engaging party has acknowledged that the procedures are appropriate for the purpose of the engagement; ~~and~~ And that the practitioner makes no representation regarding their appropriateness;
- (i) A description of the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure;
- (j) The findings from each procedure performed, including details on exceptions found;
- (k) A statement that the agreed-upon procedures engagement does not constitute a reasonable or limited assurance engagement; ~~and~~ and accordingly, the practitioner does not express an opinion or conclusion;
- (l) A statement that other matters might have come to the practitioner's attention that would have been reported, had if the practitioner had performed additional procedures; ~~other matters might have come to the practitioner's attention that would have been reported;~~
- (m) Identification of the purpose of the agreed-upon procedures report; ~~and~~ And a statement that the agreed-upon procedures report may not be suitable for another purpose; (Ref: Para. A43)
- (n) The practitioner's signature;
- (o) The date of the agreed-upon procedures report; and
- (p) The location in the jurisdiction where the practitioner practices.

31 ~~If it may be possible that~~ the practitioner refers to the work performed by a practitioner's expert in the agreed-upon procedures report. However, the wording of the report shall not imply that the practitioner's responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert. (Ref: Para. A44)

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

Undertaking an Agreed-Up On Procedures Engagement Together with another Engagement

33 The agreed-upon procedures report shall be clearly distinguished from other engagement reports. (Ref: Para. A45)

Documentation

- 34 The practitioner shall include in the engagement documentation: (Ref: Para. A46)
- (a) The written terms of engagement and, if applicable, the agreement of the engaging party as to modifications to the procedures;
 - (b) The nature, timing and extent of the agreed-upon procedures performed; and
 - (c) The findings resulting from the agreed-upon procedures performed.

Application and Other Explanatory Material

Scope of this ISRS (Ref: Para. 2)

- A1 Reference to "subject matters" in this ISRS ~~encompasses~~ includes anything on which agreed-upon procedures are performed, ~~This includes as well~~ including information, documents, measurements or compliance with laws and regulations.
- A2 Examples of financial and non-financial subject matters on which an agreed-upon procedures engagement may be performed include the following:
- ☐ Financial information relating to:
 - o The entity's financial statements or specific classes of transactions, account balances or disclosures within the financial statements.
 - o Eligibility of expenditures claimed from a funding program.
 - o Revenues for determining royalties, rent or franchise fees based on a percentage of revenues.
 - o Capital adequacy ratios for regulatory authorities.
 - ☐ Non-financial subject matters relating to:
 - o Numbers of passengers reported to a civil aviation authority.
 - o Observation of destruction of fake or defective goods reported to a regulatory authority.
 - o Data generating processes for lottery draws reported to a regulatory authority.
 - o Volume of greenhouse gas emissions reported to a regulatory authority.
 - o Compliance with contract or regulation.
- The above list is not exhaustive. Additional types of agreed-upon procedures engagements may arise as external reporting demands evolve.

Relationship with ISQC 1 (Ref: Para. 3)

- A3 ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for related services engagements, ~~including These include~~ 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, ~~a~~ and its procedures to implement and monitor compliance with those policies.
- A4 Under ISQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance ~~that of the following~~:
- (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.²⁰
- A5 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. ~~This ISRS assumes that the quality control requirements adopted for engagements are at least as demanding as those of ISQC 1. 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, ~~This includes~~ 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.
- A6 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.
- A7 ~~Unless information provided by the firm or other parties suggests otherwise, t~~ he engagement team is entitled to rely on the firm's system of quality control, ~~unless information provided by the firm or other parties suggests otherwise~~. 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.

The engagement partner ~~in~~ considering deficiencies identified in the firm's system of quality control that may affect the agreed-upon procedures engagement, in doing so, the engagement partner may consider measures taken by the firm to rectify the situation ~~that if these measures the engagement partner considers~~ are sufficient, according to the engagement partner, in the context of that agreed-upon procedures engagement.

- A8 ~~A~~ There may be a deficiency in the firm's system of quality control. If so, this 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~~ Or that the agreed-upon procedures report was not appropriate

Definitions

Engaging Party (Ref: Para. 13(d))

- A9 ~~The engaging party may be,~~ Under different circumstances, the engaging party may be the responsible party, a regulator or other intended user.

Findings (Ref: Para. 13(f))

- A10 Factual results are capable of being objectively described and objectively verified, ~~which~~ This means that different practitioners performing the same procedures are expected to arrive at the same results.

- A11 In some jurisdictions, the term "findings" may be replaced with "factual findings".

Relevant Ethical Requirements (Ref: Para. 17)

- A12 A practitioner performing an agreed-upon procedures engagement is required to fulfill the practitioner's responsibilities in accordance with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the IESBA Code, together with national requirements that are more restrictive. The IESBA Code requires practitioners to comply with fundamental principles including objectivity, ~~which~~ This requires practitioners not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement.

- A13 The IESBA Code does not contain independence requirements for agreed-upon procedures engagements. Accordingly, ~~the practitioner is not there is no requirement for the practitioner to~~ determine independence. However, there may be national ethical codes, laws or regulations, the firm's policies and procedures, or the terms of engagement ~~may that do~~ specify requirements pertaining to independence.

Professional Judgment (Ref: Para. 18)

- A14 ~~Practitioners apply P~~ professional judgment ~~is applied~~ in the acceptance and proper conduct of an agreed-upon procedures engagement. Professional judgment is necessary:
• to interpret and apply relevant ethical requirements and this ISRS, and
• in making informed decisions about courses of actions throughout the agreed-upon procedures engagement.
- A15 ~~Practitioners may apply~~ professional judgment ~~may be applied~~ in an agreed-upon procedures engagement as follows:
- ☐ Discussing the nature, timing and extent of the procedures to be performed ~~(taking into account the purpose of the engagement)~~ with the engaging party. In doing so practitioners take into account the purpose of the engagement, and in some cases also with the intended users or the responsible party (if these parties are not the engaging party) or the practitioner's expert.
 - ☐ Describing the findings in an objective manner.
 - ☐ Determining whether any of the terminology used to describe the procedures or findings is unclear, misleading, or subject to varying interpretations.
 - ☐ Determining the resources necessary to carry out the procedures as agreed in the terms of the engagement, This ~~includes~~ ing the need to involve a practitioner's expert.

Met opmerkingen [FvH1]: It is not quite clear to us what this phrase states, other than what's mentioned before in this paragraph. Unless it reports something new, we propose to remove this sentence from the paragraph.

- Determining appropriate actions if the practitioner becomes aware of:
 - o Facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.
 - o Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.
 - o Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate that the information may be misleading.

A16 ~~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 conclusion. ~~This is unlike in an assurance engagement.~~ Rather, an agreed-upon procedures engagement involves the performance of the specific procedures that have been agreed upon with the engaging party. ~~where the~~ The engaging party has acknowledged that the agreed-upon procedures performed are appropriate for the purpose of the engagement. The more a procedure requires professional judgment, the more the practitioner may need to consider whether the condition is present that the agreed-upon procedures and findings can be described objectively. This in terms that are clear, not misleading, and not subject to varying interpretations ~~is present~~.

Engagement Level Quality Control (Ref: Para. 19)

A17 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, What the engagement partner does, emphasizes 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.

A18 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~~ The engagement partner ~~in determining~~ing whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate. ~~Therefore the engagement partner uses information.~~ This may include information concerning the integrity of the principal owners, key management and those charged with governance. ~~If the~~ The engagement partner may have cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement. In those cases it may not be appropriate to accept the engagement.

A19 ~~ISQC 1 sets out the responsibilities of the~~ The firm is responsible for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. ~~ISQC 1 sets out these responsibilities.~~ 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. 20–21)

A20 The procedures to be performed during the agreed-upon procedures engagement may be prescribed by law or regulation. In some cases, law or regulation may also prescribe the way the procedures or findings are to be described in the agreed-upon procedures report. ~~As set out in~~ paragraph 20(b), a condition is set out of accepting an agreed-upon procedures engagement. The condition is that the practitioner has determined that the agreed-upon procedures and findings can be described objectively. This in terms that are clear, not misleading, and not subject to varying interpretations.

A21 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(f), the practitioner agrees the timing and extent of procedures to be performed with the engaging party. ~~so that~~ Then the engaging party has a basis to acknowledge that the procedures to be performed are appropriate for the purpose of the engagement.

A22 The practitioner is required to determine that the agreed-upon procedures can be described

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

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

A23 Terms that may be unclear, misleading, or subject to varying interpretations depending on the context in which they are used, may include, for example:

- ☐ Terms that are associated with assurance under the IAASB's Standards such as "present fairly" or "true and fair", "audit", "review", "assurance", "opinion", or "conclusion".
- ☐ Terms that imply expression of an assurance opinion or conclusion such as "we certify" or "we have ensured" with regard to the findings.
- ☐ Unclear or vague phrases such as "we obtained all the explanations and performed such procedures as we considered necessary."
- ☐ Terms that are subject to varying interpretations such as "material" or "significant".
- ☐ Imprecise descriptions of procedures such as "discuss" without specifying with whom the discussion is held or the specific questions asked.
- ☐ Terms that suggest that the findings do not reflect factual results such as "in our view", "from our perspective" or "we take the position that".

A24 For example, a procedure such as "review cost allocations to determine if they are reasonable" is unlikely to meet the condition for terms to be clear, not misleading, or not subject to varying interpretations because:

- ☐ The term "review" may be misinterpreted by some users to mean that the cost allocation was the subject of a limited assurance engagement even though no such assurance is intended by the procedure.
- ☐ The term "reasonable" is subject to varying interpretations as to what constitutes "reasonable".

A25 ~~In There are~~ cases where law or regulation specifies a procedure or describes a procedure using terms that are unclear, misleading, or subject to varying interpretations. ~~In these cases,~~ the practitioner may satisfy the condition in paragraph 20(b) by, for example, obtaining the agreement of the engaging party to:

- ☐ ~~Modify Change~~ the procedure or the description of the procedure so that it is no longer unclear, misleading, or subject to varying interpretations.
- ☐ If a term ~~that is unclear, misleading or subject to varying interpretations~~ cannot be amended, for example because of law or regulation, include a definition of the term in the agreed-upon procedures report.

A26 Other actions that may satisfy the practitioner that the conditions in paragraphs 20 and 21 are met include:

- ☐ Comparing the procedures to be performed with written requirements set out, ~~for~~ 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:
 - ☐ 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.
 - ☐ Discuss the procedures to be performed with appropriate representatives of the intended user(s).
- ☐ Reading correspondence between the engaging party and the intended user(s) if the engaging party is not the intended user.

A27 If the conditions in paragraph 20 are not met, it is unlikely that an agreed-upon procedures

engagement is able to meet the needs of the engaging party. In such cases, the practitioner may suggest other services, such as an assurance engagement, that may be more appropriate.

A28 Facts or circumstances could suggesting that the procedures may be inappropriate for the purpose of the agreed-upon procedures engagement. These may include, for example, procedures on subject matters that are unreliable, or procedures that deal with existence of inventory when the purpose of the engagement is concerned with the completeness of inventory.

A29 All the conditions in paragraphs 20 and 21 also apply to procedures that have been added or modified during the course of the engagement.

Agreeing the Terms of the Engagement (Ref: Para. 23–25)

A30 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. This process involves 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 ~~changed~~, paragraph 23 requires the practitioner to agree amended terms of engagement with the engaging party. For example, ~~the~~ amended terms of engagement may, for example, take the form of:

- an updated engagement letter;
- an addendum to an existing engagement letter; or
- other form of written acknowledgement.

A31 An illustrative engagement letter for an agreed-upon procedures engagement is set out in Appendix 1.

Recurring Engagements

A32 The practitioner may decide not to send a new engagement letter or other written agreement for a recurring engagement. However, the following factors may indicate that it is appropriate to revise the terms of the engagement: or ~~Or~~ to remind the engaging party of the existing terms of the engagement:

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

Performing the Agreed-Up-on Procedures (Ref: Para. 26–27)

A33 In some circumstances, the procedures agreed upon may need to be modified over the course of the engagement. In such circumstances, paragraph 23 requires the practitioner to agree amended terms of engagement with the engaging party to reflect the modified procedures.

A34 The practitioner may, for example, request the following representations ~~that the engaging party:~~

- The engaging party has provided the practitioner with access to all records relevant to the agreed-upon procedures engagement; or
- ~~that the engaging party~~ The engaging party has disclosed ~~revealed~~ 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. 28)

A35 A practitioner's expert may assist the practitioner in discussing the procedures to be performed, or ~~Or~~ in performing the agreed-upon procedures by applying the expert's competence and capabilities. For example, an agreed-upon procedures engagement may involve:

- a chemist determining the toxin levels in a sample of grains;
- an engineer or lawyer in dealing with engineering or legal aspects of a contract; or
- a procurement officer to check whether acquisitions meet procurement guidelines.

A36 As set out in paragraph 19(a), the engagement partner is required to take responsibility for the overall quality of the agreed-upon procedures engagement. These including, if applicable, work performed by a practitioner's expert.

Met opmerkingen [FvH2]: The meaning of the word discrete in this sentence is a bit unclear to us. We propose to rewrite this sentence as follows:
In some cases, agreeing the terms of engagement and performing the agreed-upon procedures follow one another over time.

The Agreed-Up Procedures Report (Ref: Para. 30–31)

- A37 If applicable, the practitioner may wish to clarify that the agreed-upon procedures report does not extend to information beyond subject matters on which the agreed-upon procedures is performed. And that the report does not extend to this to avoid misunderstanding. For example, ~~if~~ the practitioner was engaged to perform agreed-upon procedures on an entity's accounts receivable and inventory, In this case, the practitioner may wish to include a statement that the agreed-upon procedures report relates only to these accounts, and And that it does not extend to the entity's financial statements taken as a whole.
- A38 ~~If~~ The responsible party ~~is~~ may not ~~be~~ the engaging party. In those cases the practitioner may consider obtaining the responsible party's agreement in order to include the name of the responsible party in the agreed-upon procedures report.
- A39 Appendix 2 contains illustrations of agreed-upon procedures reports.
- A40 In some circumstances, the practitioner may have determined that the practitioner is independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have made the independence determination ~~in connection with~~ while performing an audit engagement for the entity.
- A41 In other circumstances, the practitioner may have determined that the practitioner is not independent even though the relevant ethical requirements do not require such a determination. For example, the practitioner may have previously considered whether to accept an assurance engagement for the entity. And in doing so, he may have determined that ~~the practitioner~~ he is not independent. ~~when previously considering whether to accept an assurance engagement for the entity.~~
- A42 If a statement is made that the practitioner is not independent, the practitioner may wish to include an explanation as to why the practitioner is not independent.
- A43 Paragraph 30(m) requires a statement. In addition ~~to the statement required by paragraph 30(m),~~ the practitioner may ~~consider it appropriate to~~ indicate that the agreed-upon procedures report is intended solely for the engaging party and the intended users. ~~Depending on the law or regulation of the particular jurisdiction,~~ this may be achieved by restricting the distribution or use of the agreed-upon procedures report, depending on the law or regulation of the particular jurisdiction.
- A44 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 19(a), the engagement partner takes responsibility for the overall quality of the agreed-upon procedures engagement. This includes ~~ing~~, if applicable, work performed by the practitioner's expert. The practitioner's responsibility remains the same. ~~It~~ is not reduced by the reference to the practitioner's expert in the agreed-upon procedures report.

Undertaking an Agreed-Up Procedures Engagement Together with another Engagement (Ref: Para. 33)

- A45 A practitioner may be requested to perform other engagements together with the agreed-upon procedures engagement, such as For example, providing recommendations arising that arise from the agreed-upon procedures engagement. In such cases, the practitioner may receive Such requests may take the form of one request for the practitioner to perform agreed-upon procedures and make recommendations, and ~~the~~ The terms of the various engagements may be set out in a single engagement letter. To avoid misunderstanding, paragraph 33 requires that the agreed-upon procedures report be clearly distinguished from the reports of other engagements. For example, the recommendations may be:
- ☐ Provided in a separate document from the agreed-upon procedures report; or
 - ☐ Included in a document that contains both the agreed-upon procedures report and recommendations, but But the recommendations are clearly differentiated from the agreed-upon procedures report. ~~For~~ For example, by including the agreed-upon procedures report and the recommendations in separate sections of the document.

Documentation (Ref: Para. 34)

- A46 Documentation of the nature, timing and extent of the agreed-upon procedures performed may include a record of, for example:

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

Appendix 1 (Ref: Para. A31)

Illustrative Engagement Letter for an Agreed-Up 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 We is intend it~~ only to be a guide ~~that may be used in conjunction with the considerations outlined in addition to~~ this ISRS. ~~It You~~ will need to ~~be adapt it~~ according to the requirements and circumstances of individual agreed-upon procedures engagements. ~~It is We~~ drafted ~~it~~ to refer to an agreed-upon procedures engagement for a single reporting period, ~~and And~~ it would require adaptation if ~~you intended~~ or expected ~~it~~ to apply to a recurring engagement as described in this ISRS. It may be appropriate ~~for you~~ to seek legal advice that any proposed letter is suitable.

Met opmerkingen [FvH3]: We rewrote this paragraph in order to make it sound more like an instruction to the reader. In doing so, we used 'we' in referral to the writer of the text (IAASB) and 'you' in referral to the reader of the text.

To [Engaging Party]

You have requested that we perform an agreed-upon procedures engagement on the procurement of products. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Up Procedures Engagements*. In performing the agreed-upon procedures engagement, we will comply with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which does not require us to be independent.

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

The procedures that we will perform are solely for the purpose of assisting you in determining whether your procurement of [xyz] products is compliant with your procurement policies.³ Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

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

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

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

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

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

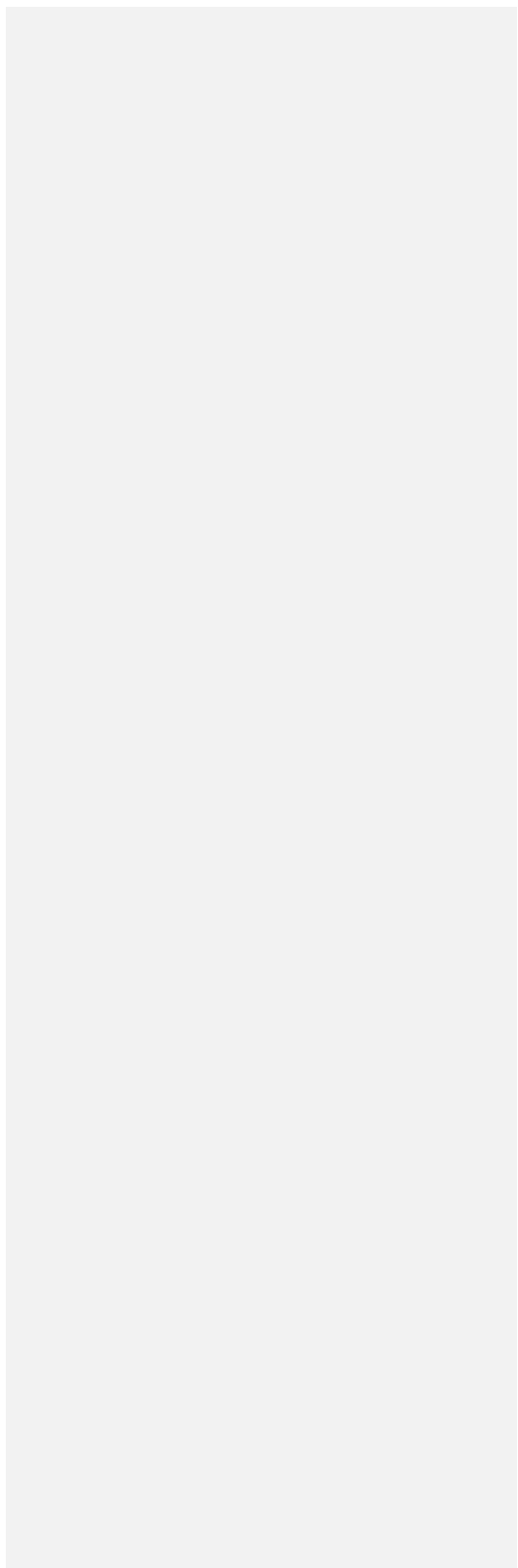
Acknowledged and agreed on behalf of [Engaging party's name] by:

³ In this case, the engaging party is also the intended user.

[Signature]

[Name and Title]

[Date]



Appendix 2 (Ref: Para. A43)

Illustrations of Agreed-Upon Procedures Reports

Illustration 1

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

- ☐ The engaging party is the addressee and the intended user.
- ☐ 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.
- ☐ There is no restriction on the use or distribution of the report.
- ☐ The practitioner is required to be independent in accordance with the terms of the engagement.

AGREED-UPON PROCEDURES REPORT

To [Addressee]

We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. These procedures were agreed to by [Engaging Party]. We undertook Our engagement was undertaken in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* ("ISRS 4400 (Revised)"). The terms of our engagement require us to be independent, and we are independent based on our determination in accordance with the independence provisions in [describe the relevant ethical requirements used]. Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, it maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Procedure

Finding

- | | |
|--|--|
| 1 Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X8] and [December 31, 20X8] for [xyz] products ("listing"). <u>and</u> identify contracts valued at over \$25,000. | We obtained from management a listing of contracts for [xyz] products which were signed between January 1, 20X8 and December 31, 20X8. Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000. |
| 2 For each identified contract valued at over \$25,000 on the listing, compare the contract to records of bidding. <u>and</u> determine whether the contract was subject to bidding by at least 3 contractors from [Engaging Party]'s "Pre-qualified Contractors List". | We inspected the records of bidding related to the 37 contracts valued at over \$25,000. We found that all of the 37 contracts were subject to bidding by at least 3 contractors from the [Engaging Party]'s "Pre-qualified Contractors List". |
| 3 For each contract valued at over \$25,000 in the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier. <u>and</u> <u>And</u> determine whether the amount ultimately paid is <u>the</u> same as the agreed amount in <u>the</u> contract. | We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing. <u>and And we</u> compared the amounts payable in the contracts to the amounts ultimately paid by [Engaging Party] to the supplier. We found that the amounts ultimately paid were <u>the</u> same as the agreed amounts in the 37 contracts with no exceptions noted. |

This agreed-upon procedures engagement does not constitute a reasonable or limited assurance

engagement. Accordingly, we do not express any opinion or conclusion on the procurement of [xyz] products by [Engaging Party].

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies. ~~and~~ It 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 report, we assume the following circumstances are assumed:

- ☐ The engaging party is the addressee and the intended user.
- ☐ Exceptions were found.
- ☐ The practitioner engaged a practitioner's expert to perform an agreed-upon procedure, and And a reference to that expert is included in the agreed-upon procedures report.
- ☐ There is a restriction on the use or distribution of the report.
- ☐ The relevant ethical requirements do not require the practitioner to be independent, and And the practitioner has not made a determination regarding independence.

AGREED-UPON PROCEDURES REPORT

To [Addressee]

We have performed the procedures described below, which were agreed to by [Engaging Party], on the procurement of [xyz] products. These procedures were agreed to by [Engaging Party]. We undertook ~~Our engagement was undertaken~~ in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements* ("ISRS 4400 (Revised)"). In performing this engagement, we are not required to be independent. Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and And accordingly, it maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Procedure

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

Finding

- We obtained from management a listing of contracts for [xyz] products which were signed between January 1, 20X8 and December 31, 20X8. Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000.
- We inspected the records of bidding related to the 37 contracts valued at over \$25,000. We found that 36 of the 37 contracts were subject to bidding by at least 3 contractors from [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 for this was due to a pressing emergency to meet a contractual deadline.
- We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Engaging Party] to the supplier. We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contracts. In all these cases, we found that the different amounts were to accommodate an increase of 1% in the sales tax rate

of [jurisdiction] that was effective in September 20X8.

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

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

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

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

This report is intended solely for [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]

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