

ASRS 4400
(April 2011)

**Standard on Related
Services Assurance
Engagements
~~ASAEASRS~~ **4400**
Agreed-Upon Assurance
Procedures Engagements to
Report Factual Findings
~~(Revision of AUS 904)~~**

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing Standard on Related Services 4400

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation and formulates auditing and assurance standards for other purposes.

The AUASB issues ~~ED 03/10~~ Standard on Related Services ~~ASAEASRS~~ 4400 Agreed-Upon Procedures Engagements to Report Factual Findings ~~for comment~~ pursuant to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (the CLERP 9 Act) established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), as from 1 July 2004. Under section 227B of the ASIC Act the AUASB may formulate Assurance Standards for other purposes.

ASRS 4400 conforms with ISRS 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. Differences between this Standard on Related Services and ISRS 4400 are noted in the conformity statement following the application material in the standard.

Main Features

This Standard on ~~Assurance Engagements~~ Related Services (~~ASAEASRS~~ 4400) establishes mandatory Requirements and provides Application and Other Explanatory material for assurance practitioners when accepting, undertaking and reporting on ~~assurance~~ engagements to conduct agreed-upon ~~assurance~~ procedures.

This Standard on Related Services:

- (a) details ethical requirements, including independence, applicable to agreed-upon procedures engagements;

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- (b) describes acceptance requirements for agreed-upon procedures engagements;
- (c) requires terms of the engagement to be agreed;
- (d) requires the assurance practitioner to plan the work;
- (e) specifies that the assurance practitioner does not conduct a risk assessment nor applies materiality;
- (f) describes quality control requirements;
- (g) describes requirements for using the work of others;
- (h) describes the documentation requirements;
- (i) requires the procedures to be conducted when performing the engagement to be limited to those agreed; and
- (j) describes the form and content of the report of factual findings.

Operative Date

It is intended that this proposed ASAE ASRS 4400 will be operative for engagements commencing on or after 1 July 2011.

Main Changes from AUS 904 Engagements to Perform Agreed-upon Procedures (July 2002)

The main differences between this Standard on Assurance Engagements ASAE ASRS 4400 and the Auditing Standard issued by the Auditing and Assurance Standards Board of the Australian Accounting Research Foundation that it supersedes, AUS 904 *Engagements to Perform Agreed-upon Procedures* (July 2002), are included in the Table of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed ASAE ASRS 4400 by no later than 8 February 2011. In addition, respondents are asked to consider and respond to the following questions:

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1. ~~What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community for compliance with this proposed AS?~~
2. ~~Are there any significant public interest matters that constituents wish to raise?~~
3. ~~Will adherence to the independence requirements applicable to Other Assurance Engagements present any additional costs for assurance practitioners? Will these costs, if any, be passed on to the business community?~~
4. ~~Will the term “assurance procedures” be properly understood by stakeholders as not providing assurance when conducted in an agreed-upon assurance engagement? Is it likely to be confused with the provision of assurance?~~
5. ~~Does the practitioner merely exercise professional competence and skill in conducting the procedures agreed, as currently drafted, or does the practitioner also need to exercise professional judgement to conduct agreed procedures, as they would in an audit or review?~~
6. ~~In an agreed-upon assurance procedures engagement, as currently drafted, the assurance practitioner does not assess:~~
 - (a) ~~the adequacy of the procedures to be conducted;~~
 - (b) ~~risk; or~~
 - (c) ~~the findings.~~

~~Do you consider any of these matters need to be assessed? If so, under what circumstances?~~
7. ~~Do the factual findings reported constitute a conclusion provided by the practitioner?~~
8. ~~If a user relies on the factual findings reported is this based on:~~
 - (a) ~~the practitioner’s competence and skill in conducting the procedures (as currently drafted); or~~
 - (b) ~~assurance provided by the practitioner? If so, how is the level of assurance defined?~~

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~~The AUASB would prefer that respondents express a clear overall opinion on whether the proposed ASAE ASRS 4400, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. The AUASB regards both critical and supportive comments as essential to a balanced review of the proposed ASAE ASRS 4400.~~

Draft

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(PROPOSED) AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on ~~Assurance Engagements~~ Related Services ASAEASRS 4400 Agreed-upon ~~Assurance~~ Procedures Engagements to Report *Factual Findings* as set out in paragraphs 1 to 468, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard ~~on~~ on Related Services Assurance Engagements ASAEASRS 4400 is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how its Standards are to be understood, interpreted and applied.

**STANDARD ON ASSURANCE
ENGAGEMENTS RELATED SERVICES
ASAE-ASRS 4400**

***Agreed-upon Assurance Procedures Engagements to
Report Factual Findings***

Application

- 1 This Standard on Assurance Engagements Related Services (ASAE-ASRS) applies to agreed-upon assurance procedures engagements to be conducted by an assurance practitioner, where factual findings are reported but no conclusion or opinion is expressed and no explicit assurance is provided by the assurance practitioner. The intended users draw their own conclusions based on the factual findings reported combined with any other information they have obtained.
- 2 This Standard on Assurance Engagements may also be applied, as appropriate, to agreed-upon assurance procedures engagements to be conducted by a practitioner other than an assurance practitioner.

Operative Date

- 3 ASAE 4400 This Standard is operative for agreed-upon assurance procedures engagements commencing on or after 1 July 2011.

Introduction

- 4 An agreed-upon assurance procedures engagement involves the conduct of assurance procedures of an assurance nature from which no conclusion or opinion is expressed by the assurance practitioner and no assurance is provided explicitly to intended users. Instead only factual findings obtained as a result of the procedures conducted are reported.
- 5 An agreed-upon assurance procedures engagement is not an assurance engagement[†] per se, even though assurance procedures are

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[†] The Framework for Assurance Engagements defines "assurance engagement" as an engagement in which an assurance practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

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conducted, as the engagement does not contain all of the elements of an assurance engagement.² In an agreed-upon assurance procedures engagement the assurance practitioner does not assess whether the results of the assurance procedures amount to sufficient appropriate evidence to provide a reasonable basis for expressing a conclusion or whether additional or more relevant procedures need to be conducted in the circumstances.

65 An assurance practitioner may be asked to conduct other types of engagements for which assurance is also not provided but in contrast to agreed-upon assurance procedures engagements, assurance the procedures are not primarily conducted are not primarily of an assurance nature. These engagements are not dealt with in this Standard on Assurance Engagements Related Services and include:

- (a) consulting (or advisory) services;
- (b) compilation engagements; and
- (c) business services, such as accounting and taxation services.

The objective of consulting services is the provision of professional advice and recommendations with respect to the subject matter. The objective of compilations is the presentation of financial information in a specified form. The objective of business services is the conduct of accounting procedures, computations or the provision of business or taxation advice. These engagements are not subject to the requirements of the AUASB Standards.

6 An agreed-upon procedures engagement is not an assurance engagement³, even though similar procedures are conducted, as the purpose of the procedures conducted is not to obtain sufficient appropriate evidence on which to base a conclusion. The sufficiency and appropriateness of the evidence is based on the assurance practitioner's assessment of materiality and risk of material misstatement or non-compliance. As the assurance practitioner does not assess materiality or engagement risk to determine the evidence gathering procedures to be conducted in an agreed-upon procedures engagement, the practitioner is unable to determine whether the

² Refer to *Framework for Assurance Engagements* paragraph 21.

³ The *Framework for Assurance Engagements* defines "assurance engagement" as an engagement in which an assurance practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

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evidence is sufficient and appropriate to reduce risk to an acceptable level as a basis for a conclusion.

Comment [CG1]: Moved from para. 5 and amended.

7 ASAE-ASRS 4400 addresses the assurance practitioner's professional responsibilities to accept agreed-upon assurance procedures engagements to report factual findings only if:

(a) the practitioner has the capabilities and competence to perform the procedures ;explicit

(a)(b) -assurance is not deemed to be necessary to meet the needs of intended users of the assurance practitioner's report;

(b)(c) the assurance practitioner will-is not be required to determine the sufficiency of the procedures to be conducted;

(c)(d) neither an assurance conclusion nor assurance opinion will be provided on the findings but the intended users may draw their own conclusions with respect to the subject matter; and

(d)(e) each of the procedures to be conducted is to be clearly specified in the engagement letter.

~~Specifically, it expands on how the~~In so doing the assurance practitioner will meet their obligations under *Framework for Assurance Engagements, ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards, ASA 210 Agreeing the Terms of Audit Engagements* and *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* are still complied with by the assurance practitioner in the when acceptance accepting of an agreed-upon assurance procedures engagement.

8 ASAE-ASRS 4400 deals with the conduct of agreed-upon assurance procedures engagements and identifies that risk assessment, responding to assessed risks, evaluation of evidence gathered and expressing a conclusion or opinion are aspects of an assurance engagement which are not conducted when no assurance is to be provided.

9 Assurance engagements and agreed-upon assurance procedures engagements involve the conduct of the same or similar assurance procedures. Due to the nature of the procedures conducted and the

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skills of the assurance practitioner, an agreed-upon assurance procedures engagement may be misunderstood as providing assurance. The *Framework for Assurance Engagements*⁴ states that the assurance practitioner should clearly distinguish a report on an engagement that is not an assurance engagement from an assurance report. ASAE 4400 This Standard deals with the content of a report of factual findings in order to differentiate it from an assurance report.

- 10 ASAE 4400 This Standard deals with how the form, content and restrictions on distribution of an assurance practitioner's report of factual findings helps to minimise misinterpretation and promote the intended user's understanding of that report.

Objective of the Assurance Practitioner

- 11 The objective of the assurance practitioner in an agreed-upon assurance procedures engagement is to apply their professional capabilities and competence to in carrying out procedures of an assurance nature, to which the assurance practitioner, the engaging party and any third party (as applicable) have agreed and to report factual findings, without providing assurance or implying that assurance has been provided, and to report factual findings.

Definitions

- 12 Assurance practitioner means a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services.⁵
- 13 Assurance ~~Procedures of an assurance nature~~ means procedures conducted by an assurance practitioner to evaluate or measure the subject matter against criteria which are the same or similar to procedures conducted in an assurance engagement. Assurance procedures may include tests of controls or substantive procedures.

Requirements

⁴ *Framework for Assurance Engagements*, paragraph 15.

⁵ The term "assurance practitioner" is used throughout this ASAE as defined in ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. Such reference is not intended to imply that assurance is being provided. The term is used to indicate that the work is required to be performed and the report prepared by persons who have adequate training, experience and competence in assurance.

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Ethical Requirements Relating to an Agreed-upon Assurance Procedures Engagement

- 14 When conducting an agreed-upon assurance procedures engagement, the assurance practitioner shall comply with the ethical requirements ~~including those pertaining to independence, relating equivalent to the ethical requirements applicable to Other Assurance Engagements, including those pertaining to independence unless the engaging party has explicitly agreed to modified independence requirements as if the engagement were an assurance engagement.~~ (Ref: Para. A1-A2)
- 15 The assurance practitioner's firm shall establish and maintain its system of quality control for agreed-upon assurance procedures engagements ~~as if the engagement were equivalent to the quality control required for~~ an assurance engagement. (Ref: Para. A3)
- 16 When conducting an agreed-upon assurance procedures engagement the assurance practitioner shall comply with ~~ASAE 4400~~ this Standard and with the terms of the engagement agreed with the engaging parties.

Acceptance of an Agreed-upon Assurance Procedures Engagement

- 17 The assurance practitioner shall obtain an understanding of the needs and objectives of the intended users, including a class of intended users, of the assurance practitioner's report of factual findings and the purpose for which that report will be used. (Ref: Para. A4-A5)
- 18 Even though the practitioner assesses the needs of intended users in accepting an agreed-upon assurance procedures engagement, the assurance practitioner is not responsible for the sufficiency of the ~~assurance-agreed-upon~~ procedures to be conducted.
- 19 Where a representative body specifies the agreed-upon assurance procedures to be conducted to meet the needs of a class of intended users, then the assurance practitioner shall be satisfied that the body does represent the class of users for whom the engagement is intended.
- 1920 Before agreeing to accept an agreed-upon procedures engagement, the assurance practitioner shall determine that the engagement team collectively possess the competence, capabilities and resources to perform the procedures.

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~~2021~~ The assurance practitioner shall not accept an agreed-upon assurance procedures engagement if, in the professional judgement of the assurance practitioner:

- (a) the provision of factual findings alone which provides no assurance is unlikely to meet the needs of the intended users; or (Ref: Para. A5)
- (b) the circumstances of the engagement indicate that the intended users are likely to construe the outcome of the engagement as providing an assurance conclusion about the subject matter; or
- (c) all of the elements of an assurance engagement⁶ are met; or (Ref: Para. A6-A8)
- (d) the engagement has no rational purpose; or
- (e) the circumstances of the engagement indicate that it will be necessary for the assurance practitioner to do any of the following:
 - (i) conduct a risk assessment in order to determine the procedures to be undertaken; (Ref: Para. A10)
 - (ii) determine the sufficiency of ~~assurance-the~~ procedures to be conducted; (Ref: Para. A9)
 - (iii) evaluate the findings in order to determine the sufficiency and appropriateness of the evidence gathered; (Ref: Para. A10) or
 - (iv) reach a conclusion or form an opinion based on the evidence gathered. (Ref: Para. A10)

~~(iv)~~²² The assurance practitioner may be engaged by a group engagement team under ASA 600 *Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)* as a component auditor in a group audit. When the assurance practitioner is engaged to conduct “specified procedures” for a component of a group audit under ASA 600, this standard is applicable in addition to the relevant requirements for component auditors in ASA 600.

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⁶ The elements of an assurance engagement are set out in *Framework for Assurance Engagements*, paragraph 20.

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Agreeing on the Terms of the Agreed-upon Assurance Procedures Engagement

~~2123~~ The assurance practitioner shall agree on the terms of the agreed-upon ~~assurance~~ procedures engagement with the engaging party, and other specified parties who will receive copies of the report⁷. If additional parties are intended users of the report of factual findings but are not signatories to the terms of engagement, these parties shall be identified in the engagement letter and all other parties shall be excluded from using the report. (Ref: Para. A11-A13~~4~~, ~~A17~~~~A16~~-A18~~8~~)

~~2224~~ The terms of engagement shall state that, whilst reliance may be placed on the factual findings, no assurance will be provided in the assurance practitioner's report. Consequently, in order to reach a conclusion regarding the subject matter ~~intended users must be~~ ~~expected to~~ conduct their own assessment of the findings, combined with other information available to them and if necessary conduct further procedures in order to obtain sufficient appropriate evidence on which to base any such conclusion.

~~2325~~ ~~When agreeing the terms of the engagement with the engaging party, the assurance practitioner shall agree to issue a report of factual findings which provides no assurance only if (~~The terms of ~~the an~~ ~~agreed-upon procedures~~ engagement ~~shall~~ specify the nature, timing or extent of procedures such that the assurance practitioner will not be required to exercise their professional judgement in determining or modifying the procedures to be conducted. (Ref: Para. ~~A14~~-A15-~~A16~~)

~~2426~~ When conducting an agreed-upon assurance procedures engagement, if the assurance practitioner is unable to conduct the exact nature, timing or extent of procedures agreed, but alternative procedures can be performed, modified terms of engagement shall be agreed with the engaging party prior to conducting those alternative procedures. (Ref: Para. A17)

Planning

~~2527~~ The assurance practitioner shall plan the work so that the engagement will be performed in an effective manner, in accordance with the terms of the engagement and ~~ASAE 4400~~ this Standard.

⁷ See Appendix 3 for an example of an engagement letter for an agreed-upon ~~assurance~~ procedures engagement.

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~~26~~²⁸ The engagement plan for an agreed-upon ~~assurance~~ procedures engagement shall be restricted to the nature, timing and extent of procedures agreed in the terms of engagement. The plan does not include alternative or further ~~assurance~~ procedures unless agreed with the engaging party in amended terms of engagement. (Ref: Para. A19)

Risk Assessment

~~27~~²⁹ The assurance practitioner does not conduct a risk assessment for an agreed-upon ~~assurance~~ procedures engagement, as the nature, timing and extent of procedures to be conducted are agreed with the engaging party rather than determined by the assurance practitioner in response to assessed risks.

Materiality

~~28~~³⁰ In an agreed-upon ~~assurance~~ procedures engagement the assurance practitioner does not apply materiality ~~to designing the procedures to be performed nor~~ to assess the factual findings to determine whether the subject matter information is free of material misstatement ~~or non-compliance, as this is the responsibility of the intended users.~~

Quality Control

~~29~~³¹ The assurance practitioner shall take responsibility for the overall quality of the agreed-upon ~~assurance~~ procedures engagement and shall apply the firm's quality control procedures ~~applicable~~ ~~to~~ ~~equivalent to those applicable to~~ Other Assurance Engagements.

~~30~~³² Throughout the engagement, the assurance practitioner shall remain alert, through observation and making enquiries as necessary, for evidence of non-compliance with relevant ethical requirements, including independence, by members of the engagement team. If matters come to the assurance practitioner's attention that indicate that members of the engagement team have not complied with relevant ethical requirements, the assurance practitioner shall determine the appropriate action.

~~31~~³³ The assurance practitioner shall be satisfied that the engagement team⁸, and any experts ~~engaged~~ who are not part of the engagement

⁸ Engagement team, as defined in the AUASB Glossary (in the context of ASQC 1), means all partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external experts engaged by the firm or a network firm.

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team, collectively have the appropriate competence ~~and~~, capabilities and resources to perform the agreed-upon assurance procedures in accordance with ASAE 4400 this Standard.

Using the Work of Others

~~3234~~ The assurance practitioner shall take responsibility for the direction, supervision and performance of the engagement and the accurate reporting of factual findings.

~~3335~~ When the assurance practitioner uses the work of another assurance practitioner, internal auditors or an expert the assurance practitioner shall evaluate the findings communicated and the adequacy of their work, including their objectivity and technical competence in conducting the procedures.

Documentation

~~3436~~ The assurance practitioner shall document:

- (a) issues identified with respect to compliance with relevant ethical requirements and how they were resolved;
- (b) conclusions on compliance with independence requirements ~~for equivalent to 'Other Assurance Engagements'~~;
- (c) conclusions reached regarding the acceptance and continuance of client relationships and acceptance of the agreed-upon assurance procedures engagement;
- (d) the procedures conducted and the factual findings obtained as identified in the agreed-upon assurance procedures report; and
- (e) evidence that the engagement was carried out in accordance with ASAE 4400 this standard and the terms of the engagement.

Performing the engagement

~~3537~~ As no assurance is to be ~~explicitly~~ provided, the assurance practitioner shall carry out only the procedures agreed in the terms of the engagement and use the results of the assurance procedures to provide a report of factual findings. (Ref: Para. A20-21)

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~~3638~~ When conducting the assurance procedures, if the nature, timing and extent of the procedures to be conducted is not adequately specified in the terms of engagement, the assurance practitioner shall request amended terms of engagement so that they do not need to determine the procedures to be conducted. The assurance practitioner does not conduct alternative or further assurance procedures unless requested by the engaging party and agreed in amended terms of engagement. (Ref: Para. A22) When conducting an agreed-upon procedures engagement, if the assurance practitioner is unable to conduct the exact nature, timing or extent of procedures agreed, but alternative procedures can be performed, modified terms of engagement shall be agreed with the engaging party and documented prior to conducting those alternative procedures. (Ref: Para. A19)

~~3739~~ If the engaging party's requirements alter during the course of the engagement ~~and which~~ require the assurance practitioner to draw conclusions from the findings, the terms of the agreed-upon procedures engagement cannot be extended to the provision of assurance, however then a new engagement will need to may be agreed, where possible, for the provision of assurance and conducted in accordance with applicable AUASB standards, ~~including ensuring that the elements of an assurance engagement are met.~~

Reporting

~~40~~ The assurance practitioner provides a report of factual findings for agreed-upon procedures engagements. In contrast to an assurance report, a report of factual findings, but does not include an evaluation of those findings in order to draw a conclusion or form an opinion which provides explicit assurance. If the assurance practitioner is reporting on an agreed-upon ~~assurance~~ procedures engagement in conjunction with an assurance engagement, the report of factual findings must be clearly differentiated from the assurance report.

~~3841~~ The assurance practitioner does not provide recommendations as part of the agreed-upon procedures report. If the assurance practitioner is reporting on an agreed-upon procedures engagement in conjunction with recommendations, the report of factual findings must be clearly differentiated from those recommendations.

~~3942~~ The assurance practitioner is unable to express a conclusion or opinion in an agreed-upon ~~assurance~~ procedures engagement as the assurance practitioner has not conducted a risk assessment, responded to assessed risks by determining the procedures to be

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conducted or assessed whether sufficient appropriate evidence has been obtained as a reasonable basis for expressing a conclusion.

4043 Use of the report ~~should~~ shall be restricted to those parties that have either agreed to the procedures to be performed or have been specifically included as intended users in the engagement letter since others, unaware of the reasons for the procedures, may misinterpret the results.

4144 The intended users assess for themselves the findings reported by the assurance practitioner and draw their own conclusions from the assurance practitioner's work with respect to the subject matter. In order to draw a conclusion, intended users will need to assess the factual findings reported by the assurance practitioner along with information from other sources and ensure that the evidence which ~~the report of factual findings and other sources they~~ provide is sufficient and appropriate to provide a basis for any conclusion ~~they~~ intended users may reach. The intended users of the report are entitled to rely on the professional competence and capabilities ~~expertise~~ of the assurance practitioner in conducting the agreed-upon procedures effectively and reporting the findings accurately. (Ref: Para. A22)

4245 The report of factual findings for an agreed-upon assurance procedures engagement shall contain:

- (a) a title;
- (b) an addressee (ordinarily the engaging parties);
- (c) identification of the specific information to which the ~~assurance~~ procedures have been applied;
- (d) a statement that the procedures performed were those agreed with the engaging parties;
- (e) a statement that the engagement was performed in accordance with ASAE-ASRS 4400; (Ref: Para. A22~~3~~)

(f) a statement that either ethical requirements equivalent to those applicable to Other Assurance Engagements have been complied with, including independence, or, if modified independence requirements have been agreed in the terms of engagement, a description of the level of independence applied;

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- (f) identification of the purpose for which the agreed-upon assurance procedures engagement was performed;
- (g) a statement that the responsibility for determining the adequacy or otherwise of the assurance procedures agreed to be performed by the assurance practitioner is that of the engaging parties;
- (h) a listing of the specific assurance procedures performed, detailing the nature, timing and extent of each procedure;
(Ref: Para. A252)
- (i) a description of the assurance practitioner's factual findings in relation to each procedure performed, including sufficient details of errors and exceptions found;
(Ref: Para. A225)
- (j) identification of any of the assurance procedures agreed in the terms of the engagement which could not be conducted and why that has arisen; (Ref: Para A236)
- (k) a statement that the assurance procedures performed do not constitute either an audit or a review a reasonable or limited assurance engagement and, as such, no assurance is expressed;
- (l) a statement that had the assurance practitioner performed additional procedures, a reasonable or limited assurance engagement an audit or review, other matters might have come to the assurance practitioner's attention that would have been reported;
- (m) a statement that use and distribution of the report is restricted to those parties identified in the report, that who have agreed to the procedures to be performed and those or were identified in the report terms of engagement;
- (n) a statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial report or other specified report taken as a whole;

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- (o) the date of the report;
- (p) the assurance practitioner's address; and
- (q) the assurance practitioner's signature. (Ref: Para A24)

4346 If the assurance practitioner is required by law or regulation to use a specific layout or wording for the report of factual findings, the report of factual findings shall refer to [ASAE-ASRS 4400](#) only if the assurance practitioner's report includes, at a minimum, each of the elements in the preceding paragraph.

4447 ~~If~~ law or regulation of the relevant jurisdiction ~~may~~ prescribes the layout or wording of the ~~assurance practitioner's report of factual findings~~ in a form or in terms which are significantly different from the requirements of ~~ASAE 4400~~[this Standard](#). In these circumstances the assurance practitioner shall evaluate:

- (a) whether ~~intended~~ users might misunderstand the factual findings reported and the fact that no assurance is provided; and, if so;
- (b) whether additional explanation in the report of factual findings can mitigate possible misunderstanding.

If the assurance practitioner considers that additional explanation in the ~~auditor's~~ report ~~of factual findings~~ cannot mitigate possible misunderstanding, the auditor shall not accept the engagement unless required by law or regulation to do so. As an agreed-upon procedures engagement conducted in accordance with such law or regulation does not comply with ~~ASAE 4400~~[this Standard](#), the ~~auditor-assurance practitioner~~ shall not include any reference in the report of factual findings to the engagement having been conducted in accordance with ~~ASAE-ASRS 4400~~.

4548 The assurance practitioner shall not issue modifications or an emphasis of matter in a report of factual findings as no conclusion or opinion is expressed. Nevertheless, the following matters, if applicable, are reported as part of the factual findings:

- (a) errors or exceptions identified as a result of the procedures conducted, regardless of whether they were subsequently rectified by the entity; and

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- (b) inability of the assurance practitioner to conduct any of the agreed-upon assurance procedures. (Ref: Para. A234-A25)

If the assurance practitioner is aware that an error or exception identified has been substantially rectified, the fact that it has been rectified may be included in the report.

4649 The report of factual findings for an agreed-upon assurance procedures engagement shall be clearly distinguished from an assurance report in that it shall not contain:

- (a) statement of compliance with AUASB Standards applicable to assurance engagements, except for reference to ASAEASRS 4400;
- (b) inappropriate use of the terms “assurance”, “audit”, “review”, “opinion” or “conclusion”; or
- (c) any statement that could reasonably be mistaken for a conclusion designed to enhance the degree of confidence of intended users about the outcome of the evaluation or measurement of a subject matter against criteria.⁹

⁹ Refer to *Framework for Assurance Engagements*, paragraph 16.

Application and Other Explanatory Material

Ethical Requirements Relating to an Agreed-upon Assurance Procedures Engagement (Ref: Para. 14-16)

- A1. The ethical requirements, including independence, applicable to Other Assurance Engagements ~~are applicable to agreed-upon assurance procedures engagements as these engagements require the conduct of assurance procedures resulting in factual findings on which the intended users are entitled to rely. The relevant ethical requirements~~ are defined in ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*¹⁰.
- A2. The ethical requirements permit the independence requirements to be modified, if the intended users of the assurance practitioner's report are knowledgeable as to the purpose, subject matter information and limitations of the report and explicitly agree to the application of the modified independence requirements. ~~—In these circumstances, the report of factual findings is to include a restriction on use and distribution to the intended users only, which is already included in reports of factual findings.~~ If modified independence requirements are adopted in the terms of the engagement, but the intended users include a class of users who are not party to the terms of the engagement, they are required to be made aware of the modified independence requirements, such as by reference to them in the report of factual findings. In any case the independence of the assurance practitioner and the engagement team will need to be assessed.
- A3. ASQC 1 also deals with the firm's responsibilities to establish and maintain its system of quality control for Other Assurance Engagements.

Acceptance of an Agreed-upon Assurance Procedures Engagement (Ref: Para. 17-22~~0~~)

- A4. The assurance practitioner needs to understand the engaging party's objectives in engaging the assurance practitioner to ensure that an engagement appropriate to those objectives is agreed and to avoid any misunderstandings with respect to the scope of the engagement.

¹⁰ For ethical requirements relating to Other Assurance Engagements, refer to APESB Exposure draft 03/10 of Proposed APES 110 Code of Ethics for Professional Accountants, Section 291 Independence – other assurance engagements (Dec 2010) issued by the Accounting Professional & Ethical Standards Board Ltd (APESB) subsequent to ASA 102 (Oct 2009).

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~~A4.~~

A5. In determining whether the provision of a report of factual findings is likely to meet the needs of intended users, or class of intended users, of the assurance practitioner's report, the assurance practitioner considers the purpose for which users intend to use the report. If **intended** users are likely to be able to interpret the factual findings resulting from **assurance** procedures conducted, whether alone or in combination with other available evidence, to reach reasonable conclusions, then an engagement to report factual findings may be acceptable. If **intended** users are unlikely to be able to interpret the factual findings to reach reasonable conclusions then the assurance practitioner does not accept an agreed-upon **assurance** procedures engagement, but may accept an assurance engagement if appropriate.

A6. The assurance practitioner is not precluded from accepting an agreed-upon **assurance** procedures engagement if some elements of an assurance engagement, provided in the *Framework for Assurance Engagements*, are met, with the exception of a written assurance report. The relevance of the elements of an assurance engagement to an agreed-upon **assurance** procedures engagement are:

- A three party relationship: An agreed-upon **assurance** procedures engagement may involve a three party relationship but is not required to do so.
- An appropriate subject matter: the assurance practitioner does not assess the appropriateness of the subject matter in an agreed-upon **assurance** procedures engagement. Information, which is to be subjected to the agreed procedures, does need to be identifiable so that it may be subjected to the agreed procedures.
- Suitable criteria: whilst the procedures to be conducted may involve evaluation or measurement of the information against criteria, the suitability of the criteria do not need to be assessed by the assurance practitioner as conclusions are not drawn from the procedures.
- Sufficient appropriate evidence: the assurance practitioner provides factual findings only and does not assess the sufficiency or appropriateness of the evidence as they do not draw any conclusions from the findings. If **intended** users wish to draw conclusions they assess for themselves the sufficiency and appropriateness of the evidence which

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the findings provide on their own or in combination with other available evidence.

- A7. If all of the elements of an assurance engagement are met the assurance practitioner declines an agreed-upon ~~assurance~~ procedures engagement, however an assurance engagement may be accepted and applicable AUASB Standards applied. Appendix 1 provides a table of *Differentiating factors between agreed-upon procedures engagements and assurance engagements* to assist the assurance practitioner in determining whether the engagement is an agreed-upon ~~assurance~~ procedures engagement or an assurance engagement.
- A8. The extent of the subject matter does not affect whether an engagement is an assurance engagement or not. Even if the subject matter of an engagement is very specific, when the engagement contains the elements of an assurance engagement, the assurance practitioner complies with the requirements of either:
- (a) *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* when providing reasonable assurance on historical financial information other than a financial report;
 - (b) *ASA 2405 Review of Historical Financial Information Other than a Financial Report* when providing limited assurance on historical financial information other than a financial report; or
 - (c) *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* when providing reasonable or limited assurance on matters other than historical financial information¹¹.

Example engagements are described in Appendix 2 illustrating how an engagement could be scoped as an agreed-upon ~~assurance~~ procedures engagement or an assurance engagement for the same subject matter.

- A9. The assurance practitioner may assist the client and intended users in determining the ~~assurance~~ procedures to be conducted to ensure that the procedures are able to be conducted and are likely to meet the needs of the intended users. Nevertheless, the assurance practitioner

¹¹ Refer also to ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*, as appropriate.

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is not responsible for the adequacy of the agreed-upon assurance procedures nor for assessing whether the findings will be sufficient either alone or in combination with other evidence to support any conclusions which the users intend to draw. The assurance practitioner's role in an agreed-upon procedures engagement is to use their professional competence and capabilities to the conduct of the agreed-upon procedures effectively and to report the findings accurately.

- A10. If it is necessary for the assurance practitioner to conduct a risk assessment, respond to assessed risks or evaluate the evidence gathered then this indicates that the assurance practitioner is using their professional judgement to gather sufficient appropriate evidence to support a conclusion. In these circumstances the engagement ~~is~~ may be an assurance engagement and, if so, -the relevant requirements in the AUASB standards ~~must need to~~ be applied.

Agreeing on the Terms of the Agreed-upon Assurance Procedures Engagement
(Ref: Para. 231-264)

- A11. Matters to be agreed in an agreed-upon assurance procedures engagement include the:
- (a) nature of the engagement, including the fact that the procedures performed will not constitute a reasonable or limited assurance engagement an audit or a review and that accordingly no assurance will be expressed;
 - (b) stated purpose for the engagement;
 - (c) identification of the subject matter to which the assurance procedures will be applied;
 - (d) nature, timing and extent of the specific procedures to be appliedperformed;
 - (e) anticipated form of the report of factual findings;
 - (f) identification of the intended users of the report including those who may not be parties to the terms of engagement, such as a regulator or bank; and
 - (g) limitations on distribution of the report of factual findings. When such limitation would be in conflict with the legal

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requirements if any, the assurance practitioner would not accept the engagement.

~~A12.~~ The agreed terms would ordinarily be recorded in an engagement letter or other suitable form. ~~An example of an engagement letter for an agreed-upon assurance procedures engagement is set out in Appendix 3.~~

~~A13-A12.~~ It is in the interests of both the engaging party and the assurance practitioner that the assurance practitioner sends an engagement letter, preferably before the commencement of the engagement, to help in avoiding misunderstandings with respect to the engagement. ~~The engagement letter documents and confirms the assurance practitioner's acceptance of the appointment, the objective and scope of the engagement, the extent of the assurance practitioner's responsibilities to the engaging party and the form of any reports.~~

A14-A13. Matters that would be included in the engagement letter include:

- (a) confirmation of the assurance practitioner's acceptance of the appointment;
- (b) the objective and scope of the engagement;
- (c) the extent of the assurance practitioner's responsibilities to the engaging party
- ~~(a)~~(d) a listing of the ~~assurance~~ procedures to be performed as agreed upon between the parties;
- ~~(b)~~(e) identification of intended users, including a class of user, entitled to use the report of factual findings; ~~and~~
- (f) a statement that the distribution of the report of factual findings would be restricted to the engaging party, who has agreed to the procedures to be performed, and the intended users identified; ~~and~~
- ~~(e)~~ the form of any reports.
- (g) In addition, the assurance practitioner may consider which may be illustrated by attaching to the engagement letter a draft of the report of factual findings that will be issued, omitting the factual findings.

An example of an engagement letter for an agreed-upon procedures engagement is set out in Appendix 3.

A15-A14. The listing of ~~assurance~~ procedures to be performed details the nature, timing and extent of ~~assurance~~ procedures in sufficient detail such that during the course of the engagement the assurance practitioner will not need to determine the procedures to be performed. If the ~~assurance~~ procedures cannot be precisely determined by the engaging party when agreeing the terms of engagement, then it is an indication that an assurance engagement may be required to meet the needs of intended users.

A16-A15. In an agreed-upon ~~assurance~~ procedures engagement, in which the assurance practitioner does not express a conclusion, it is the engaging party's responsibility to determine the procedures which will provide sufficient appropriate evidence to support their own or intended users' conclusions. It is only appropriate for the assurance practitioner to select the procedures if they will be assessing the

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evidence to support a conclusion, provided in an assurance engagement.

A17-A16. Not all intended users may be available to agree to the terms of engagement or the agreed-upon assurance procedures to be conducted. These intended users may still be specified in the letter of engagement where the assurance practitioner is satisfied that those users will understand the purpose for which the report of factual findings may is intended to be used. These intended users may include:

- (a) regulators or industry bodies which issue requirements for assurance procedures to be conducted and factual findings to be reported; and
- (b) an identifiable class of users which are intended to receive the report of factual findings for a specified purpose.

(b)A17. If alternative procedures are agreed during conduct of the engagement, the assurance practitioner documents the alternative procedures agreed and agrees amended terms of engagement in writing with the engaging parties prior to reporting on the factual findings.

A18. In certain circumstances, for example when the procedures have been agreed to between the regulator, industry representatives and representatives of the accounting profession, the assurance practitioner may not be able to discuss the procedures with all the parties who will receive the report of factual findings. In such cases, the assurance practitioner may consider, for example, discussing the procedures to be applied with appropriate representatives of the parties involved, reviewing relevant correspondence from such parties or sending them a draft of the report of factual findings that will be issued.

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Planning (Ref: Para. 275-286)

A19. Planning in an agreed-upon assurance procedures engagement is restricted by the nature, timing and extent of assurance procedures as agreed in the terms of engagement. Therefore the assurance practitioner does not have the discretion to conduct alternative or additional procedures without obtaining the engaging party's agreement. Nevertheless, the assurance practitioner will still need to plan ascertain matters such as the nature, timing and extent of the resources necessary to perform to be used on the engagement and access to the entity's staff, premises, records and documentation.

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Performing the Engagement (Ref: Para. ~~35-37-39~~)

- A20. The procedures applied in an engagement to perform agreed-upon assurance procedures may include:
- (a) inspection;
 - (b) observation;
 - (c) external confirmation;
 - (d) re-calculation;
 - (e) re-performance;
 - (f) analytical review procedures, where those procedures are based solely on analysis against expectations defined in the terms of engagement; and
 - (g) enquiry.

- A21. Analytical ~~review~~ procedures are not conducted in an agreed-upon assurance procedures engagement unless the engaging party provides an expectation of recorded amounts or ratios on which the assurance practitioner may base the analytical ~~procedures~~ review. The engaging party's expectations are defined in the procedures described in the terms of the engagement. It is necessary for the engaging party to provide the expectations as a basis for the analytical ~~review procedures~~ so that the assurance practitioner does not use their professional judgement to develop expectations, which is only appropriate when conducting an assurance engagement. The assurance practitioner does not interpret the findings from the analytical procedures but simply presents the findings against the expectations provided by the engaging party.

Reporting (Ref: Para. ~~4038-496~~)

- ~~A22. In an agreed-upon assurance procedures engagement, the user assesses the factual findings reported alone or in combination with other information to draw their own conclusion.~~
- ~~A23-A22.~~ Even though assurance is not provided by the assurance practitioner, the intended users are entitled to rely on the accuracy of the reported findings by virtue of the assurance practitioner's capabilities and competence ~~and skill~~ in conducting the agreed-upon assurance procedures. The report of factual findings needs to describe the

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procedures conducted and findings in sufficient detail to enable the intended user to understand the nature, timing and extent of the work performed as well as the nature of the errors and exceptions identified. When the law or regulation prescribes the layout or wording of the assurance practitioner's report in a form or in terms that are significantly different from the requirements of ASAE 4400this Standard and the assurance practitioner considers that additional explanation in the report of factual findings cannot mitigate possible misunderstanding, the auditor may consider including a statement in the report of factual findings that the agreed-upon procedures engagement is not conducted in accordance with ASAE 4400this Standard.

~~A24~~.A23. The assurance practitioner's inability to conduct the agreed-upon assurance procedures may arise from:

- (a) circumstances beyond the control of the engaging party;
- (b) circumstances relating to the nature or timing of the auditor's assurance practitioner's work; or
- (c) limitations imposed by management of the engaging parties.

~~A25~~.A24. An illustrative example of a report of factual findings, incorporating the elements set forth in paragraphs ~~39-45~~40-49, is set out in Appendix 4.

Conformity with International Standards on Related Services

Except as noted below, ASAE-ASRS 4400 conforms with International Standard on Related Services ISRS 4400, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The main difference(s) between ASAE-ASRS 4400 and ISRS 4400 are:

- ASAE-ASRS 4400 is not limited to procedures regarding "financial information" whereas ISRS 4400 is limited to financial information.
- ASAE-ASRS 4400 applies to "assurance procedures of an assurance nature" whereas ISRS 4400 applies to "procedures of an audit nature". Whilst the terms differ, they can be taken to have the same meaning as indicated by the procedures listed in ISRS 4400

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paragraph 16 which are equivalent to those listed in ASAE-ASRS 4400, paragraph A204.

- ASAE-ASRS 4400 applies to the “assurance practitioner”, whereas ISRS 4400 applies to the “auditor”. Whilst the terms differ, they can be taken to have the same meaning.
- The AUASB is of the view that independence of the assurance practitioner in carrying out ~~assurance~~ procedures of an assurance nature and reporting factual findings is fundamental to the effective conduct of agreed-upon ~~assurance~~ procedures engagements, therefore ASAE-ASRS 4400 requires the assurance practitioner to maintain independence equivalent to the independence requirements applicable to Other Assurance Engagements. ISRS 4400 does not require the auditor to be independent, but requires the auditor to state in the report of factual findings if they are not independent.
- ASAE-ASRS 4400 includes requirements, which are additional to that contained in ISRS 4400, for the assurance practitioner to:
 - establish and maintain a system of quality control within the firm, although this requirement is imposed on engagements under ISRS 4400 by virtue of ISQC1 which applies to related services engagements;
 - understand the needs and objectives of the intended users;
 - not take responsibility for the sufficiency of the agreed-upon procedures to be conducted;
 - satisfied themselves that a representative body does represent the class of users;
 - only accept the engagement if they have the capabilities and competence to perform the procedures;
 - only not accept an agreed-upon ~~assurance~~ procedures engagement if ~~they are satisfied that the engagement~~ it is unlikely to meet the needs of intended users, users are likely to construe to outcome as providing assurance, all of the elements of an assurance engagement will not all be met, the engagement has no rational purpose and/or if the assurance practitioner needs to conduct a risk assessment, determine the sufficiency of procedures to be conducted, evaluate the sufficiency and appropriateness of the

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- ~~○ evidence or reach a conclusion~~procedures only applicable to assurance engagements will not need to be conducted;~~~~
- ~~○ not be responsible for the sufficiency of the assurance procedures;~~
- state in the terms of engagement that intended users are responsible for reaching any conclusions on the subject matter;
- not ~~need~~ exercise professional judgement to determine or modify the procedures to be conducted;
- limit planning to the procedures agreed in the terms of engagement;
- ~~○ not conduct a risk assessment or assess the findings;~~
- ~~○ not conduct a risk assessment;~~
- ~~○ not apply materiality to assess factual findings nor to design procedures;~~
- ~~○ take responsibility for overall quality control and apply quality control procedures on the engagement, including the engagement team's compliance with ethical requirements;~~
- satisfy themselves that the engagement team and any experts and the work of others collectively have competence and capabilities to conduct the procedures;
- ~~○ take responsibility for the direction, supervision and performance of the engagement and the accurate reporting of factual findings and when using the work of others, evaluate the findings communicated and the adequacy of their work.~~
- document matters with respect to compliance with ethical requirements, independence requirements, acceptance and continuance of client relationships and acceptance of the engagement;
- request amended terms of engagement if alternative or further procedures are to be conducted;

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- not assess the findings or provide a conclusion or opinion;
- ~~○ restrict use of the report to intended users;~~
- ~~○ not to assert compliance with ASAE-ASRS 4400 if the requirements are not met;~~
- not issue a modified report or emphasis of matter but instead report all errors or exceptions in the factual findings even if they are subsequently rectified;
- exclude wording from the report of factual findings which may indicate that assurance is being provided; and
- states in the report of factual findings that the responsibility for determining the adequacy of the agreed-upon assurance procedures is that of the engaging party.

Compliance with this Standard on Assurance Engagements Related Services-ASAE-ASRS 4400 enables compliance with ISRS 4400.

Appendix 1

(Ref: Para. A98)

Differentiating factors between agreed-upon assurance procedures engagements and assurance engagements

Differentiating Factor	Agreed-upon Assurance Procedures Engagement	Assurance Engagement
Nature, timing and extent of procedures responsibility of:	Engaging party	Assurance practitioner
Nature, timing and extent of procedures determined in:	Terms of engagement	Engagement plan
Changes to the nature, timing and extent of procedures are documented in:	Terms of engagement	Engagement plan
Extent of assurance practitioner's professional judgement exercised in selecting procedures:	None Professional judgement may be exercised in assisting the engaging party to identify procedures when agreeing the terms of engagement, but only professional competence is exercised when conducting the agreed-upon procedures.	Professional judgement exercised in selecting procedures
Sufficiency and appropriateness of evidence assessed by:	Intended user	Assurance practitioner
Form and content of report:	Factual findings, no conclusion or explicit assurance provided	Conclusion providing assurance

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Differentiating Factor	Agreed-upon Procedures Engagement	Assurance Engagement
Reporting of procedures conducted:	Detail of the exact nature, timing and extent of all procedures conducted are reported	Summary of work performed
Reporting of findings:	Detail of exact findings resulting from each procedure conducted	No detail of findings, unless a modified report is to be issued when the basis for modification is provided <u>or if a management letter is provided in addition to the assurance report.</u>

Appendix 2

(Ref: Para. A9)

Examples of Differences in Scope between an Agreed-upon ~~Assurance~~ Procedures Engagement and an Assurance Engagement

The following brief descriptions of engagements are intended to illustrate that engagements relating to the same subject matter may be scoped in the terms of engagement as an agreed-upon ~~assurance~~ procedures engagement providing no assurance or an assurance engagement depending on the needs of the engaging party and intended users. The scope provided, which would be reflected in the terms of engagement, are to be used as a guide only and will need to be adapted to the individual engagement requirements and circumstances.

Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
1. Turnover Lease Agreement	To assist parties to a lease agreement based on turnover in assessing compliance with	<ul style="list-style-type: none"> • Agree gross turnover to underlying data; • Recalculate adjusted 	<ul style="list-style-type: none"> • Audit/review compliance with the turnover lease agreement to provide a

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Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
	the agreement.	turnover based on agreed formula; and <ul style="list-style-type: none"> • Recalculate the turnover rent payable under the lease agreement. 	reasonable/limited assurance conclusion as to whether the entity has complied, in all material respects, with the lease agreement over the period.
2. Management Agreement	To assist the directors of each entity to fulfil their reporting requirements under management agreements with the managing entity.	<ul style="list-style-type: none"> • Agree data from entities' income statements to the entities' trial balances, parent entity consolidation schedule and audited consolidated financial report. 	<ul style="list-style-type: none"> • Audit/review compliance with the reporting requirements of the management agreement to provide a reasonable/limited assurance conclusion as to whether the entity has complied, in all material respects, with the management agreement over the period.

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Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
3. Leave Provisions	To assist management assessment of whether leave provisions were calculated in accordance with corporate policy as a basis for negotiating the consideration for transferring staff.	<ul style="list-style-type: none"> • Agree start date and employment terms for a random sample of X staff to employment contracts. • Agree leave taken to employee records. • Recalculate long service leave and annual leave provisions for X staff to be transferred as part of a novation agreement. 	<ul style="list-style-type: none"> • Audit/review employee leave provisions to provide a reasonable/limited assurance conclusion as to whether leave balances are calculated, in all material respects, in accordance with corporate policy.
4. Loan Securitisation	To assist the engaging party and potential investors in determining the data on which to base the securitisation of a pool of loans.	<ul style="list-style-type: none"> • Select X loans. • Agree specified loan data to supporting documentation and check loan data against given criteria. • Recalculate total loan pool data. 	<ul style="list-style-type: none"> • Audit/review the loan pool to provide a reasonable/limited assurance conclusion as to whether the loan pool is reported, in all material respects, in accordance with the agreed basis.

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Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
5. Stocktake Procedures	Assisting management to determine the value of stock on hand.	<ul style="list-style-type: none"> • Attend X sites, test count X stock items to stock count sheets. • Trace X stock count sheets to summary stock data. • Agree X stock items to inventory account and agree cost to supplier invoices. 	<ul style="list-style-type: none"> • Audit/review stock at period end to provide a reasonable/limited assurance conclusion as to whether <u>stock is the value- fairly of stock is reported</u>, in all material respects, in accordance with corporate policy.
6. Debtors' balances	Assisting management to identify issues in debtors' collection.	<ul style="list-style-type: none"> • Agree aged debtors to the trial balance at period end. • Agree the largest (at period end) X debtors to sales invoices. • Trace X randomly selected debtor balances to subsequent receipts. • Itemise bad debt written off for the period with 	<ul style="list-style-type: none"> • Audit/review debtors and provision for doubtful debts to provide a reasonable/limited assurance conclusion as to whether debtors and provision for doubtful debts are presented fairly, in all material respects, in accordance with the

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Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
		explanations provided by management. <ul style="list-style-type: none"> • Itemise customers on stop supply or COD. • Identify any debtor legal action. • Determine value and number of credit notes for the period. • Calculate debtors aging percentages at period end. 	agreed basis of accounting.
7. Controls to meet contractual obligations (Data supplied by providers under confidentiality)	To assist client in completing their certificate of compliance with respect to confidentiality and privacy agreements.	<ul style="list-style-type: none"> • Agree list of users with access to restricted data to signed Confidentiality Statements. • Agree individual Confidentiality Statements to Confidentiality agreement. 	<ul style="list-style-type: none"> • Audit/review controls in place to comply with confidentiality and privacy agreements in order to provide a reasonable/limited assurance conclusion as to whether the controls

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Nature of engagement	Purpose of engagement	Scope of an Agreed-upon Assurance Procedures Engagement	Scope of an Assurance Engagement
and privacy agreement requiring controls to protect data)		<ul style="list-style-type: none"> Identify confidentiality training held over reporting period, percentage of users attended and average hours training attended per user. Trace data access log for X days to list of approved users. 	are fairly described, suitably designed and operating effectively throughout the reporting period.

Appendix 3

(Ref: Para. A13)

Example of an Engagement Letter for an Agreed-upon ~~Assurance~~ Procedures Engagement

The following is an example of an engagement letter for an agreed-upon ~~assurance~~ procedures engagement prepared in accordance with ~~ASAE-ASRS~~ 4400. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this Standard on ~~Assurance Engagements~~ Related Services. It will need to be varied according to individual requirements and circumstances. It may be appropriate to seek legal advice that any proposed letter is suitable.

To the appropriate representatives of management or those charged with governance of name of Entity [and name of other intended users or class of users as appropriate]:

[The objective and scope of the engagement]

You have requested that we conduct the agreed-upon ~~assurance~~ procedures specified below [as required by [name of representative body or regulator] to meet the needs of [class of intended users]]. We are pleased to confirm our acceptance and understanding of this agreed-upon ~~assurance~~ procedures engagement and the nature and limitations of the procedures we will conduct. Our engagement will be conducted with the objective of reporting factual findings resulting from each procedure for the purpose of [specify purpose].

[The responsibilities of the assurance practitioner]

We will conduct our engagement in accordance with Standard on ~~Assurance Engagements~~ Related Services ~~ASAE-ASRS~~ 4400 Agreed-upon ~~Assurance~~ Procedures Engagements to Report Factual Findings. That standard requires that we comply with ethical requirements applicable equivalent to Other Assurance Engagements¹², including independence, and plan and perform the agreed procedures to obtain

¹² If applicable, reference APES 110 Code of Ethics, Section 291 (Dec 2010).

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factual findings. [If appropriate¹³: We will apply modified independence requirements agreed with you, which will consist of (describe level of independence to be applied).] The procedures which we will conduct will be restricted to those procedures agreed with you [which include procedures required by [name of representative body or regulator]] and listed below. Information acquired by us in the course of our engagement is subject to strict confidentiality requirements and will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

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

[describe the nature, timing and extent of each assurance procedure to be performed, including specific reference, where applicable, to the identity of documents and records to be read, individuals to be contacted and parties from whom confirmations will be obtained.]

If we are unable to conduct the exact nature, timing or extent of procedures agreed above but alternative procedures are available, we will only conduct these alternative procedures if modified terms of engagement are agreed with [name of engaging party and intended users].

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[The responsibilities of management or those charged with governance and intended users (if appropriate)]

Our agreed-upon assurance procedures will be conducted on the basis that [management and, where appropriate, those charged with governance and intended users] acknowledge and understand that:

- (a) they have responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by us;
- (b) they have responsibility for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or the intended users wish to draw on the subject matter;
- (c) they have responsibility to provide us with:

¹³ Modified independence requirements are only permitted under the ethical requirements applicable to other assurance engagements if the intended users of the report (a) are knowledgeable as to the purpose, subject matter information and limitations of the report and (b) explicitly agree to the application of the modified independence requirements.

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- (i) access to all information of which the directors and management are aware that is necessary for the conduct of the assurance procedures agreed; and
- (ii) unrestricted access to persons within the entity from whom we require co-operation in order to conduct the assurance procedures agreed.
- (d) the procedures we will perform are solely to assist you [and name of intended users] in (state purpose). Our report of factual findings is not to be used for any other purpose and is solely for your [and name of intended users'] information.
- (e) the procedures that we will perform will not constitute a reasonable or limited assurance engagement in accordance with AUASB Standards and, consequently, no assurance will be expressed.

We look forward to full co-operation with your staff during our engagement.

[Other relevant information]

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

[Reporting]

Our report of factual findings will consist of a detailed listing of the assurance procedures conducted and our findings in relation to each procedure, including any errors or exceptions identified regardless of whether those errors or exceptions have since been rectified. Use of our report will be restricted to you [and [name of other intended users or class of users]] and all other parties will be excluded from using the report.

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

Yours faithfully,

(signed)

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.....

Name and Title

Date

Acknowledged on behalf of [name of Entity] by

(signed)

.....

Name and Title

Date

[Acknowledged on behalf of [name of Intended User] by

(signed)

.....

Name and Title

Date]

Appendix 4

(Ref: Para. A24)

Example of a Report of Factual Findings in Connection with Accounts Payable

REPORT OF FACTUAL FINDINGS

To [appropriate addressee]

Report of Factual Findings

We have performed the ~~assurance~~ procedures agreed with you and [name of any intended users party to the terms of engagement] to report factual findings for the purpose of assisting you [and [name of other intended users or class of intended users]] in assessing, in combination with other information obtained by you, the accuracy of accounts payable as at [date].

The ~~assurance~~ procedures performed are detailed in the terms of the engagement of [date] and described below with respect to the accounts payable of [entity] as of [date], set forth in the attached schedules [describe and reference the schedules (not shown in this example)].

[Management / Those Charged with Governance]’s Responsibility for the Procedures Agreed

[Management / Those Charged with Governance and any intended users party to the terms of engagement] are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You and [name of other intended users or class of intended users] are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance Practitioner’s Responsibility

Our responsibility is to report factual findings obtained from conducting the ~~assurance~~ procedures agreed. We conducted the engagement in accordance with Standard on ~~Assurance-Related Services Engagements~~ ASAE-ASRS 4400 Agreed-upon Assurance Procedures Engagements to Report Factual Findings. We have complied with ~~the~~ ethical requirements ~~applicable~~ equivalent to Other Assurance Engagements¹⁴, including independence [if

¹⁴ If applicable, reference APES 110 Code of Ethics, Section 291 (Dec 2010).

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applicable: except that we applied modified independence requirements as agreed with you in the terms of the engagement consisting of (describe level of independence applied)].

Because the above procedures do not constitute either a reasonable or limited assurance engagement, an audit or a review in accordance with AUASB Standards, we do not express any conclusion and provide no assurance on the accounts payable of [entity] as of [date]. Had we performed additional procedures or had we performed an audit or a review of the accounts payable in accordance with AUASB Standards, other matters might have come to our attention that would have been reported to you.

Factual Findings¹⁵

The ~~assurance~~ procedures were performed solely to assist you in evaluating the validity of the accounts payable. The procedures conducted and the factual findings obtained are as follows:

Assurance Procedure Conducted	Factual Findings	Errors or exceptions identified
1 We obtained and checked the addition of the trial balance of accounts payable as at [date] prepared by [entity], and we compared the total to the balance in the related general ledger account.	We found the addition to be correct and the total amount to be in agreement.	None
2 We compared the attached schedule (not shown in this example) provided by [entity] of major suppliers and the amounts owing at [date] to each of the related names and amounts in the trial balance.	We found the amounts compared to be in agreement except for exceptions noted.	<i>[Detail exceptions]</i>
3 For X suppliers randomly selected from the attached schedule we obtained suppliers' statements or requested suppliers to confirm balances owing at	We found there were suppliers' statements for all such suppliers.	None

¹⁵ The assurance practitioner may choose instead to present the table of factual findings as an attachment to the report, particularly if it is lengthy.

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Assurance Procedure Conducted	Factual Findings	Errors or exceptions identified
[date].		
<p>4 We compared such statements or confirmations to the amounts referred to in 2. For amounts which did not agree, we obtained reconciliations from [entity]. For reconciliations obtained, we identified and listed outstanding invoices, credit notes and cheques payments, each of which was greater than \$XXX. We agreed <u>outstanding invoices over \$XXX for suppliers selected to accounts payable for subsequent period, located and examined such invoices subsequently received and either credit notes subsequently received and or cheques paid payment made, and we ascertained whether they should in fact have been listed as outstanding on the reconciliations.</u></p>	<p>We found the amounts agreed, or with respect to amounts which did not agree, we found [entity] had prepared reconciliations and that the credit notes, invoices and cheques payments over \$XXX were <u>appropriately listed as agreed to reconciling items except for unless</u> exceptions noted.</p>	<p>[Detail exceptions]</p>

[Where there has been a limitation of scope such that certain procedures could not be conducted insert: The following procedures included in the terms of engagement could not be conducted for the reasons set out below:]

Assurance Procedure Unable to be Conducted	Reasons Procedures was Unable to be Conducted
[Detail procedure in terms of engagement]	[Detail reasons]

Restriction of Distribution and Use of Report

This report is solely for the use of [entity]'s and [intended users identified in the terms of engagement] for the purpose set out above. As the intended user

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of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ~~ASAE-ASRS~~ 4400, this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than [company full name, name of intended users and name of class of users] for any consequences of reliance on this report for any purpose.

[Assurance Practitioner's Signature]

[Date of the report of factual findings]

[Assurance Practitioner's Address]