

EXPOSURE DRAFT

ED 05-18
(December 2018)

Proposed Standard on Related Services
ASRS 4400
Agreed-Upon Procedures Engagements

Issued for Comment by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 14 February 2019. Comments should be addressed to:

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Formal Submissions

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 05-18

The AUASB issues exposure draft ED 05-18 of Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements* pursuant to the requirements of the legislative provisions explained below.

The AUASB is a non corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate assurance standards for other purposes.

Main Proposals

This proposed Standard on Related Services represents the Australian equivalent of Proposed ISRS 4400 (Revised) *Agreed-Upon Procedures Engagements* issued for public comment (November 2018) by the IAASB. The proposed Standard on Related Services will replace the current ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* issued by the AUASB in July 2013.

This proposed Standard on Related Services contains differences from the current ASRS 4400, as detailed in Explanatory Memorandum Exposure Draft 05/18 *Proposed Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements* (Explanatory Memorandum).

Proposed Operative Date

It is intended that this proposed Standard on Related Services will be operative for Agreed-Upon Procedures engagement for which the terms of the engagement are agreed approximately 18-24 months after the approval of the final ISRS by the IAASB. No indication of an expected date of approval has been provided by the IAASB.

Main changes from existing ASRS 4400 *Agreed-Upon Procedures Engagements to Report on Factual Findings* (July 2013)

For the main differences between this proposed Standard on Related Services and the Standard on Related Services that it supersedes, ASRS 4400 *Agreed-Upon Procedures Engagements to Report on Factual Findings* (July 2013), refer to the Explanatory Memorandum.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASRS 4400 *Agreed-Upon Procedures Engagements* by no later than 14 February 2019.

Stakeholders are asked to respond to the AUASB on the following questions in order to inform us when responding to the IAASB on their ED:

Questions Adapted from the IAASB's Exposure Draft

Overall Question

Public Interest Issues Addressed in ED 05/18

1. Has ED 05/18 been appropriately clarified and modernised to respond to the needs of stakeholders and address public interest issues?

Specific Questions

Professional Judgement

2. Does the definition, requirement and application material on professional judgement in paragraphs 13(j), 18 and A14-A16 of ED 05/18 appropriately reflect the role professional judgement plays in an AUP engagement?

Practitioner's Objectivity and Independence

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 AUASB would discuss the relevant independence considerations with the APESB?
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 [IAASB Explanatory Memorandum](#), and the related requirements and application material in ED 05/18? 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.

Findings

5. Do you agree with the term “findings” and the related definitions and application material in paragraphs 13(f) and A10-A11 of ED 05/18?

Engagement Acceptance and Continuance

6. Are the requirements and application material regarding engagement acceptance and continuance, as set out in paragraphs 20-21 and A20-A29 of ED 05/18, appropriate?

Practitioner's Expert

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 05/18, and references to the use of the expert in an AUP report in paragraphs 31 and A44 of ED 05/18?

AUP 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 05/18 addresses circumstances when the practitioner may consider it appropriate to restrict the AUP report?
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 05/18? What do you believe should be added or changed, if anything?

Request for General Comments

10. In addition to the requests for specific comments above, the AUASB is also seeking comments on the matters set out below:
 - (a) **Effective Date**—Recognising that ED 05/18 is a substantive revision and given the need for national due process and translation, as applicable, the AUASB 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 AUASB welcomes comments on whether this would provide a sufficient period

Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements*

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.

Australian Specific Questions

Stakeholders are asked to respond to the AUASB on the following questions in order to inform us when considering if any compelling reasons exist:

11. Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?
12. Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
13. Whether there are any principles and practices considered appropriate in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
14. *ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings* (issued in July 2013) requires compliance with ethical requirements 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. Do stakeholders support this level of compliance?
15. *ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings* (issued in July 2013) applies to AUP engagements performed by an Assurance Practitioner. Assurance Practitioner is defined in ASAE 3000* with the term indicating that that the work is required to be performed and the report prepared by persons who have adequate training, experience and competence in conducting assurance engagements. Do stakeholders support the application of ASRS 4400 being restricted to Assurance Practitioners rather than Practitioners as currently proposed in ED 05/18?
16. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, the AUASB would like to understand:
 - (a) Where those costs are likely to occur;
 - (b) The estimated extent of costs, in percentage terms: and
 - (c) Whether expected costs outweigh the benefits to the users of AUP Reports?
17. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Standard on Related Services, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Standard on Related Services.

* ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard on Related Services is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the AUASB Standards are to be understood, interpreted and applied.

Conformity with International Standards on Related Services

This Standard on Related Services conforms with International Standard on Related Services ISRS 4400 *Agreed-Upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Standard on Related Services (and do not appear in the text of the equivalent ISRS) are identified with the prefix “Aus”.

Compliance with this Standard on Related Services enables compliance with ISRS 4400.

STANDARD ON RELATED SERVICES ASRS 4400

Agreed-Upon Procedures Engagements

Application

Aus 0.1 This Standard on Related Services applies to agreed-upon procedures engagements to be performed by a practitioner, where factual findings are reported but no conclusion or opinion is expressed and no assurance is provided by the practitioner.

Operative Date

Aus 0.2 This Standard on Related Services is operative for agreed-upon procedures engagements for which the terms of engagement are agreed on or after [DATE]

Introduction

Scope of this Standard on Related Services

1. This Australian Standard on Related Services (ASRS) 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 ASRS applies to the performance of agreed-upon procedures engagements on financial or non-financial subject matters. (Ref: Para. A1-A2)

Relationship with ASQC 1¹

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

The Agreed-Upon Procedures Engagement

4. In an agreed-upon procedures engagement, the practitioner performs procedures agreed upon by the practitioner and the engaging party and 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 ASRS 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 and draw their own conclusions from the work performed by the practitioner.

¹ Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*

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Agreed-Upon Procedures Engagements

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, assessing the appropriateness of the engaging party's response, determining whether further action is needed, and preparing adequate documentation.

Authority of this ASRS

7. This ASRS contains the objectives of the practitioner in following the ASRS, which provide the context in which the requirements of this ASRS 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 ASRS contains requirements, expressed using "shall," that are designed to enable the practitioner to meet the stated objectives.
9. In addition, this ASRS contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of this ASRS.
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 relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ASRS that assists in the application of the requirements.

Effective Date

11. [Deleted by the AUASB. Refer Aus 0.2]

Objectives

12. The practitioner's objectives in an agreed-upon procedures engagement under this ASRS are to:
 - (a) Agree the procedures to be performed with the engaging party;
 - (b) Perform the agreed-upon procedures; and
 - (c) Communicate the procedures performed and the related findings in accordance with the requirements of this ASRS.

Definitions

13. For the purposes of this Standard on Related Services, 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.

² The Accounting Professional & Ethical Standards Board's (APESB) APES 110 *Code of Ethics for Professional Accountants* (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 (APESB Code).

Proposed Standard on Related Services ASRS 4400
Agreed-Upon Procedures Engagements

- (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 communicate 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 is responsible for the engagement and its performance, and 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.
- (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 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, references to findings in this ASRS 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 organisation(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 the engagement partner or other members of the engagement team, or, as applicable, the firm). Where this ASRS 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 organisation 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 a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external expert.
- (j) Professional judgement - 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.
- (k) Relevant ethical requirements – Ethical requirements the engagement team is subject to when undertaking agreed-upon procedures engagements. These requirements ordinarily comprise the APESB Code together with national requirements that are more restrictive.

Requirements

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

14. The practitioner shall have an understanding of the entire text of this ASRS, 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 ASRS 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 represent compliance with this ASRS unless the practitioner has complied with all requirements of this ASRS relevant to the agreed-upon procedures engagement.

Relevant Ethical Requirements

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

Professional Judgement

18. The practitioner shall apply professional judgement in accepting and conducting an agreed-upon procedures engagement, taking 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 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 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 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, including a statement that the procedures to be performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or 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 the practitioner will comply in conducting the agreed-upon procedures engagement 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 the agreed-upon procedures are modified over the course of the engagement, the practitioner shall agree amended terms of engagement with the engaging party that reflect the modified procedures. (Ref: Para. A30)
24. The practitioner shall record the agreed terms of 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 and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A32)

Performing the Agreed-Upon 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 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-Upon 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 ASRS 4400;
 - (e) A statement that the firm of which the practitioner is a member applies ASQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQC 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQC 1;
 - (f) With respect to independence:
 - (i) If 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 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:
 - (i) An agreed-upon procedures engagement involves the practitioner performing the procedures that have been agreed to by the practitioner and the engaging party, and reporting 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 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 accordingly, the practitioner does not express an opinion or conclusion;
 - (l) A statement that, had the practitioner 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 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 the practitioner refers to the work performed by a practitioner's expert in the agreed-upon procedures report, 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 ASRS.

Undertaking an Agreed-Upon 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 Standard on Related Services (Ref: Para. 2)

- A1. Reference to “subject matters” in this ASRS encompasses anything on which agreed-upon procedures are performed, 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:
- Financial information relating to:
 - ◆ The entity’s financial report or specific classes of transactions, account balances or disclosures within the financial report.
 - ◆ Eligibility of expenditures claimed from a funding program.
 - ◆ Revenues for determining royalties, rent or franchise fees based on a percentage of revenues.
 - ◆ Capital adequacy ratios for regulatory authorities.
 - Non-financial subject matters relating to:
 - ◆ Numbers of passengers reported to a civil aviation authority.
 - ◆ Observation of destruction of fake or defective goods reported to a regulatory authority.
 - ◆ Data generating processes for lottery draws reported to a regulatory authority.
 - ◆ Volume of greenhouse gas emissions reported to a regulatory authority.
 - ◆ 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 ASQC 1 (Ref: Para. 3)

- A3. ASQC 1 deals with the firm’s responsibilities to establish and maintain its system of quality control for related services engagements, including agreed-upon procedures engagements. Those responsibilities are directed at establishing:
- The firm’s quality control system; and
 - The firm’s related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies.
- A4. Under ASQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:
- (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and

Proposed Standard on Related Services ASRS 4400
Agreed-Upon Procedures Engagements

(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.³

A5. A jurisdiction that has not adopted ASQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ASRS 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 ASQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the requirements of ASQC 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements:

- Leadership responsibilities for quality within the firm;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

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, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:

- Competence of personnel through their recruitment and formal training.
- Maintenance of client relationships through acceptance and continuance systems.
- Adherence to legal and regulatory requirements through the monitoring process.

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

A8. A deficiency in the firm's system of quality control does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.

³ See ASQC 1, paragraph 11.

Definitions

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

A9. The engaging party may be, under different circumstances, 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 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 fulfil the practitioner’s responsibilities in accordance with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the APESB Code, together with national requirements that are more restrictive. The APESB Code requires practitioners to comply with fundamental principles including objectivity, which requires practitioners not to compromise their professional or business judgement 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 APESB Code does not contain independence requirements for agreed-upon procedures engagements. Accordingly, there is no requirement for the practitioner to determine independence. However, national ethical codes, laws or regulations, the firm’s policies and procedures, or the terms of engagement may specify requirements pertaining to independence.

Professional Judgement (Ref: Para. 18)

A14. Professional judgement is applied in the acceptance and proper conduct of an agreed-upon procedures engagement. Professional judgement is necessary to interpret and apply relevant ethical requirements and this ASRS, and in making informed decisions about courses of actions throughout the agreed-upon procedures engagement.

A15. Professional judgement 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, and in some cases, the intended users or the responsible party (if these parties are not the engaging party) or the practitioner’s expert.
- Describing the findings in an objective manner.
- 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, including the need to involve a practitioner’s expert.
- Determining appropriate actions if the practitioner becomes aware of:
 - ◆ Facts or circumstances suggesting that the procedures to which the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures engagement.

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- ◆ Matters that may indicate fraud or an instance of non-compliance or suspected non-compliance with laws or regulations.
 - ◆ Other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement, or indicate 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. Rather, an agreed-upon procedures engagement involves the performance of the specific procedures that have been agreed upon with the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The more a procedure requires professional judgement, 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.

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, emphasise 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 ASRS.
- A18. ASQC 1 requires the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate may include information concerning the integrity of the principal owners, key management and those charged with governance. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.
- A19. ASQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. This ASRS 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 of accepting an agreed-upon procedures engagement is that the practitioner has determined that the agreed-upon procedures and findings can be described objectively, 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 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 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;
 - Enquire;
 - 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 AUASB'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".

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- A25. In cases where law or regulation specifies a procedure or describes a procedure using terms that are unclear, misleading, or subject to varying interpretations, the practitioner may satisfy the condition in paragraph 20(b) by, for example, obtaining the agreement of the engaging party to:
- Modify the procedure or the description of the procedure so that it is no longer unclear, misleading, or subject to varying interpretations.
 - 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 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 suggesting that the procedures may be inappropriate for the purpose of the agreed-upon procedures engagement 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, with changes to the agreed-upon procedures being agreed as the engagement progresses in response to new information coming to light. If procedures that have been previously agreed upon need to be modified, paragraph 23 requires the practitioner to agree amended terms of engagement with the engaging party. 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 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-Upon 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 representations that the engaging party has provided the practitioner with access to all records relevant to the agreed-upon procedures engagement or that the engaging party has disclosed to the practitioner its knowledge of identified or suspected fraud or non-compliance with laws and regulations.

Using the Work of a Practitioner's Expert (Ref: Para. 28)

- A35. A practitioner's expert may assist the practitioner in discussing the procedures to be performed or 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 including, if applicable, work performed by a practitioner's expert.

The Agreed-Upon 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 to avoid misunderstanding. For example, if the practitioner was engaged to perform agreed-upon procedures on an entity's accounts receivable and inventory, the practitioner may wish to include a statement that the agreed-upon procedures report relates only to these accounts and does not extend to the entity's financial report taken as a whole.
- A38. If the responsible party is not the engaging party, 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 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 determined that the practitioner 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. 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.
- 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, including, if applicable, work performed by the practitioner's expert. The practitioner's responsibility is not reduced by the reference to the practitioner's expert in the agreed-upon procedures report.

Undertaking an Agreed-Upon Procedures Engagement 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 providing recommendations arising from the agreed-upon procedures engagement. Such requests may take the form of one request for the practitioner to perform agreed-upon procedures and make recommendations, and 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 the recommendations are clearly differentiated from the

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agreed-upon procedures report, 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 the subject matters on which the agreed-upon procedure is performed. For example:
 - ◆ For a procedure on purchase orders, the practitioner may identify the documents selected by their dates and unique purchase order numbers.
 - ◆ For a procedure requiring selection of all items over a specific amount from a given population, the practitioner may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal register for a specific period, all timesheets for hours recorded over a certain number for specified months or every tenth item on a specific list).
 - ◆ For a procedure requiring enquiries of specific personnel, the practitioner may record the dates of the enquiries, the names and job designations of the personnel and the specific enquiries made.
 - ◆ For an observation procedure, the practitioner may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.
 - 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-UPON PROCEDURES ENGAGEMENT

The following is an example of an engagement letter for an agreed-upon procedures engagement that illustrates the relevant requirements and guidance contained in this ASRS. This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this ASRS. It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement as described in this ASRS. It may be appropriate to seek legal advice that any proposed letter is suitable.

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 Australian Standard on Related Services 4400 *Agreed-Upon Procedures Engagements*. In performing the agreed-upon procedures engagement, we will comply with the Accounting Professional and Ethics Standards Board *Code of Ethics for Professional Accountants (including Independence Standards)*, which does not require us to be independent.

An agreed-upon procedures engagement performed under ASRS 4400 involves our performing the procedures agreed with you, 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.⁴ 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 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 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 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].

⁴ In this case, the engaging party is also the intended user.

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Our Agreed-Upon Procedures Report

As part of our engagement, we will issue our report, which 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 to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

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

[Firm's name]

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

[Signature]

[Name and Title]

[Date]

ILLUSTRATIONS OF AGREED-UPON PROCEDURES REPORTS

Illustration 1

For purposes of this illustrative agreed-upon procedures report, 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 organisation 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. Our engagement was undertaken in accordance with the Australian Standard on Related Services 4400 *Agreed-Upon Procedures Engagements* (“ASRS 4400”). 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 Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements*, and accordingly, 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 ASRS 4400 involves our performing of the procedures that have been agreed to by us and [Engaging Party], and 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”) and identify contracts valued at over \$25,000.	<p>We obtained from management a listing of contracts for [xyz] products which were signed between January 1, 20X8 and December 31, 20X8.</p> <p>Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000.</p>

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	Procedure	Finding
2	For each identified contract valued at over \$25,000 on the listing, compare the contract to records of bidding and 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 and determine whether the amount ultimately paid is the same as the agreed amount in the contract.	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 ultimately paid were 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 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, 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 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 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. Our engagement was undertaken in accordance with the Australian Standard on Related Services 4400 *Agreed-Upon Procedures Engagements* (“ASRS 4400”). In performing this engagement, we are not required to be independent. Our firm applies Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements*, and accordingly, 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 ASRS 4400 involves our performing of the procedures that have been agreed to by us and [Engaging Party] and reporting on findings based on the procedures performed. [Engaging Party] has acknowledged that the procedures are appropriate for the purpose of the engagement. 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”) and 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 and 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 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

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	Procedure	Finding
		reason that this contract was not subject to competitive bidding was due to a pressing emergency to meet a contractual deadline.
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 determine whether the amount ultimately paid is the same as the agreed amount in the contract.	<p>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.</p> <p>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.</p>

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 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]