

## **ISRS 4400 (Revised) – Agreed-Upon Procedures Engagements (Requirements – CLEAN)**

### **Introduction**

#### **Scope of this ISRS**

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

#### *Relationship with ISQC 1<sup>1</sup>*

3. Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1 applies to firms of professional accountants that perform audits and reviews of financial statements and other assurance and related services engagements, including agreed-upon procedures engagements. The provisions of this ISRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQC 1 or requirements that are at least as demanding. (Ref: Para. A2-A7)

#### **The Agreed-Upon Procedures Engagement**

4. In an agreed-upon procedures engagement, the practitioner performs procedures agreed by the practitioner and the engaging party and reports the procedures performed and the related findings. The value of an agreed-upon procedures engagement performed in accordance with this ISRS results from:
  - (a) The practitioner's compliance with professional standards, including relevant ethical requirements; and
  - (b) Clear communication of the procedures performed and the related findings.

Engaging parties 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.

6. 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 expressing an opinion or conclusion in any form. The agreed-upon procedures engagement involves performing procedures agreed by the practitioner and the engaging party and clearly communicating in the agreed-upon procedures report the procedures performed and the related findings.

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

7. Law, regulation and relevant ethical requirements establish responsibilities for the practitioner regarding fraud or an entity's non-compliance with laws and regulations<sup>2</sup>, including responsibilities to respond to matters that may indicate fraud or non-compliance with laws or regulations, or other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement or indicate that such information may be misleading. The practitioner's responsibilities may include, for example, communicating with the engaging party, assessing the appropriateness of the engaging party's response, determining whether further action is needed, and ensuring adequate documentation on relevant actions.

### **Authority of this ISRS**

8. This ISRS contains the objectives of the practitioner in following the ISRS, which provide the context in which the requirements of this ISRS are set. The objectives are intended to assist the practitioner in understanding what needs to be accomplished in an agreed-upon procedures engagement.
9. This ISRS contains requirements, expressed using "shall," that are designed to enable the practitioner to meet the stated objectives.
10. In addition, this ISRS contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of the ISRS.
11. 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 ISRS that assists in the application of the requirements.

### **Effective Date**

12. This ISRS is effective for agreed-upon procedures reports dated on or after [DATE].

### **Objectives**

13. In conducting an agreed-upon procedures engagement, the objectives of the practitioner are to:
  - (a) Agree the procedures to be performed with the engaging party;
  - (b) Perform the agreed-upon procedures; and
  - (c) Report the procedures performed and the related findings.

### **Definitions**

14. For purposes of this ISRS, the following terms have the meanings attributed below:
  - (a) Agreed-upon procedures – Procedures that have been agreed to by the practitioner and the engaging party.

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<sup>2</sup> Law, regulation or relevant ethical requirements may require the practitioner to perform additional procedures and take further actions. For example, the IESBA Code requires the practitioner to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed.

- (b) Agreed-upon procedures engagement – An engagement in which a practitioner is engaged to carry out those procedures to which the practitioner and the engaging party have agreed and to report the procedures performed and the related findings. The engaging party and intended users assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from them.
- (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. "Engagement partner" and "firm" are to be read as referring to their public sector equivalents when relevant.
- (d) Engaging party – The party(ies) that engages the practitioner to perform the agreed-upon procedures engagement and acknowledges the appropriateness of the procedures for the purpose of the engagement. (Ref: Para. A10)
- (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 ISRS exclude opinions or conclusions in any form as well as recommendations made by the practitioner. (Ref: Para. A10A)
- (g) Intended users – The individual(s) or organization(s), or group(s) that will use the agreed-upon procedures report.
- (h) Practitioner – The individual(s) conducting the agreed-upon procedures engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). When this ISRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" rather than "practitioner" is used.
- (i) Relevant ethical requirements – Principles of professional ethics and ethical requirements to which the firm and its personnel are subject when undertaking an agreed-upon procedures engagement, which ordinarily comprise the International Ethics Standards Board for Accountants' *International Code of Professional Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code) with respect to related services engagements, together with national requirements that are more restrictive.
- (j) Responsible party – The party(ies) responsible for the information on which the agreed upon procedures are performed.

## Requirements

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

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

### *Complying with Relevant Requirements*

16. The practitioner shall comply with each requirement of this ISRS unless a particular requirement is not relevant to the agreed-upon procedures engagement, for example if the circumstances addressed by the requirement do not exist in the engagement.
17. The practitioner shall not represent compliance with this ISRS in the agreed-upon procedures report unless the practitioner has complied with all requirements of this ISRS relevant to the agreed-upon procedures engagement.

### **Relevant Ethical Requirements**

18. The practitioner shall comply with relevant ethical requirements. (Ref: Para. A11-A13)

### **Professional Judgment**

19. The practitioner shall apply professional judgment taking into consideration the characteristics of an agreed-upon procedures engagement. (Ref: Para. A15-A17)

### **Engagement Level Quality Control**

20. The engagement partner shall take responsibility for:
  - a) The overall quality of the agreed-upon procedures engagement including, if applicable, procedures performed by a practitioner's expert; and (Ref: Para. A19)
  - 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. A20)
    - (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. A21)
    - (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**

#### *Agreeing the Terms of the Engagement*

21. Before accepting an agreed-upon procedures engagement, the practitioner shall determine that the following conditions are present: (Ref: Para. A22, A28-A29)
  - (a) The engaging party acknowledges that the procedures to be performed are appropriate for the purpose of the engagement;

- (b) The agreed-upon procedures and findings can be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; and (Ref: Para. A23-A27)
  - (c) The practitioner is not aware of any facts or circumstances suggesting that the procedures the practitioner is being asked to agree are inappropriate for the purpose of the agreed-upon procedures 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) Nature of the 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 assurance conclusion;
  - (b) Purpose of the engagement as identified by the engaging party;
  - (c) Acknowledgement by the engaging party that the procedures are appropriate for the purpose of the engagement;
  - (d) A statement as to whether the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures engagement contain independence requirements, and whether the practitioner is expected to be, or not to be, independent;
  - (e) Identification of the addressee of the agreed-upon procedures report;
  - (f) The intended user(s) of the agreed-upon procedures report as identified by the engaging party; (Ref: Para. A30-A31)
  - (g) Identification of the information on which the agreed-upon procedures will be performed;
  - (h) Nature, timing and extent of the procedures to be performed; and
  - (i) Reference to the expected form and content of the agreed-upon procedures report.
23. Where the agreed-upon procedures are modified over the course of the engagement, the practitioner shall agree the amended terms of engagement with the engaging party to reflect the modified procedures. (Ref: Para. A33-A34)
24. The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement. (Ref: Para. A35)

#### *Recurring Engagements*

25. On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether the previous terms of engagement remain appropriate in the circumstances. If the practitioner concludes that the previous terms of engagement remain appropriate, the practitioner shall consider whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A36)

#### **Performing the Agreed-Upon Procedures Engagement**

26. The practitioner shall perform the procedures as agreed in the terms of the engagement. (Ref: Para. A37-A38)

### Using the Work of a Practitioner's Expert

27. If the practitioner engages a practitioner's expert to perform any of the agreed-upon procedures, the practitioner shall: (Ref: Para. A39-A40)
- (a) Evaluate the expert's competence, capabilities and objectivity;
  - (b) Determine whether the nature, timing and extent of the procedures performed by the expert is consistent with the procedures agreed in the terms of the engagement; and
  - (c) Determine whether the findings reported by the expert adequately describe the result of the procedures performed.

### The Agreed-Upon Procedures Report

28. The agreed-upon procedures report shall be in writing.
29. The agreed-upon procedures report shall describe the agreed-upon procedures in sufficient detail to enable the user to understand the nature and the extent, and if relevant, the timing, of the work performed, and shall include: (Ref: Para. A43-A45)
- (a) A title that clearly indicates that the report is an agreed-upon procedures report;
  - (b) An addressee as indicated in the terms of the engagement;
  - (c) Identification of the information on which the procedures have been performed;
  - (d) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. 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 ISQC 1.
  - (e) A statement that the engagement was performed in accordance with ISRS 4400,
  - (f) If:
    - (i) The practitioner is independent in accordance with relevant ethical requirements containing independence requirements, a statement that the practitioner is independent of the entity in accordance with the relevant ethical requirements, and has fulfilled the practitioner's other ethical responsibilities in accordance with these requirements; or
    - (ii) The practitioner is not independent, and is not required by relevant ethical requirements to be independent, a statement that the relevant ethical requirements do not contain independence requirements and that the practitioner is not independent of the entity, and that the practitioner has fulfilled the practitioner's other ethical responsibilities in accordance with these requirements,
- The statement shall also identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code;
- (g) 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.
  - (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;
  - (h) A description of the procedures performed detailing the nature and extent, and if relevant, the timing, of each procedure;
  - (i) The findings from each procedure performed, including sufficient details on exceptions found;
  - (j) A statement that the procedures performed do not constitute a reasonable or limited assurance engagement and accordingly, the practitioner does not express an opinion or assurance conclusion;
  - (k) A statement that, had the practitioner performed additional procedures, or a reasonable or a limited assurance engagement, other matters might have come to the practitioner's attention which would have been reported;
  - (l) Identification of the purpose for which the agreed-upon procedures engagement is performed and a statement that the agreed-upon procedures report may not be suitable for another purpose; (Ref: Para. A42)
  - (m) The date of the agreed-upon procedures report;
  - (n) The practitioner's signature; and
  - (o) The location in the jurisdiction where the practitioner practices.
30. If the practitioner refers to the procedures performed by a practitioner's expert in the agreed-upon procedures report, the wording of that report shall not imply that the practitioner's responsibility for performing the procedures and reporting the findings is reduced because of the involvement of that expert. (Ref: Para. A46)
31. The practitioner shall date the agreed-upon procedures report on the date the practitioner has completed the agreed-upon procedures engagement in accordance with this ISRS.

#### **Undertaking an Agreed-Upon Procedures Engagement at the Same Time as another Engagement**

32. The agreed-upon procedures report shall be clearly distinguished from other engagement reports. (Ref: Para. A47)

#### **Documentation**

33. The practitioner shall include in the engagement documentation: (Ref: Para. A48)
- (a) The agreement of the engaging party on the procedures to be performed, including, if applicable, modifications to the procedures;
  - (b) The acknowledgement of the engaging party that the procedures performed are appropriate for the purpose of the engagement;
  - (c) The nature, timing and extent of the agreed-upon procedures performed; and

- (d) The findings resulting from the agreed-upon procedures performed.