

AGREED-UPON PROCEDURES ENGAGEMENTS



A GROWTH AND VALUE OPPORTUNITY

International
Federation
of Accountants



Exposure Drafts, Consultation Papers, and other IFAC publications are published by, and copyright of, IFAC.

IFAC does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise. The IFAC logo, 'International Federation of Accountants', and 'IFAC' are registered trademarks and service marks of IFAC in the US and other countries.

Copyright © 2020 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact permissions@ifac.org.

ISBN: 978-1-60815-457-9

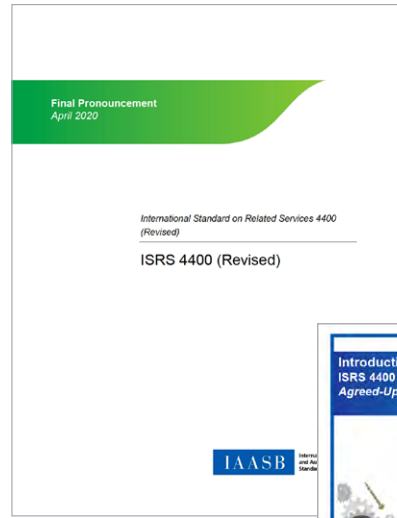
INTRODUCTION

Agreed-Upon Procedures (AUP) engagements provide a great opportunity for small- and medium-sized practices (SMPs) to grow and provide a valued service to their clients. **International Standard on Related Services 4400 (Revised), Agreed-Upon Procedures Engagements** (ISRS 4400 (Revised)) is the international standard that addresses AUP engagements.

The International Auditing and Assurance Standards Board (IAASB) recently approved the revised standard, which is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022. The present version of ISRS 4400 remains valid until this new effective date. The IAASB Fact Sheet **Introduction to ISRS 4400 (Revised) Agreed-Upon Procedures Engagements** covers the significant changes. Early application of the revised standard is permitted. For terms of engagements covering multiple years, practitioners may wish to update the terms of engagement so that the AUP engagement will be conducted in accordance with the revised standard.

This publication outlines an AUP engagement, identifies the benefits to clients of offering such services and when an AUP engagement is appropriate. It covers examples of financial and non-financial subject matters, six short case studies with example procedures that might be applied, and two illustration AUP reports from ISRS 4400 (Revised).

The publication's primary targeted audience is practitioners, but regulators, policy makers and other stakeholders may also find it useful.



WHAT IS AN AUP ENGAGEMENT?

An AUP engagement involves a practitioner performing the procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner communicates the agreed-upon procedures performed and the related findings in the AUP report. No assurance is obtained and neither is a conclusion nor opinion expressed. Instead, the engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported and draw their own conclusions from the work performed by the practitioner.



INCREASING DEMAND

A wide range of stakeholders use AUP reports for a variety of reasons and the demand for AUP engagements continues to grow. For many entities, the demand for AUP engagements may be driven in part by the growth in regulation and the need for increased accountability around funding and grants. For example, funding bodies may ask for an AUP report to support or complement information such as audited financial statements or grant applications. For smaller entities, the increase in audit exemption thresholds in some jurisdictions may affect demand for AUP engagements, if stakeholders choose to look for alternatives to audits where no assurance on financial statements is needed. For example, banks may request an AUP report on a specific item within the financial statements such as receivables or inventory. Such a report would have a narrower focus on key areas of emphasis in support of lending agreements.

THE BENEFITS AND USE OF AGREED-UPON PROCEDURES

- AUP engagements offer flexibility, as the service can be tailored to different circumstances and focused on individual items of financial or non-financial subject matters. For example, management may seek support that certain disclosures required by applicable standards have been provided or request a report as part of due diligence on an acquisition.
- Management may request specific work be performed to satisfy intended user needs. Example agreed-upon procedures could include comparing the inventory balance to the inventory sheet, agreeing the accounts payables to third party confirmations, tracing the use of grant funds or recalculating the volume of greenhouse gas emissions. External users can also specify the reporting format.
- Findings may be reported with respect to the operation of particular financial reporting processes and controls. For example, a public sector organization may request an AUP engagement to report on the implementation and monitoring of controls related to a specific regulatory regime.
- An AUP report can be included as a supplement to the financial statements providing additional information to management, staff and other stakeholders in relation to specific elements of the financial statements.

AUP ENGAGEMENTS ON FINANCIAL OR NON-FINANCIAL SUBJECT MATTERS

ISRS 4400 (Revised) applies to the performance of agreed-upon procedures engagements on financial or non-financial subject matters. This encompasses anything on which agreed-upon procedures are performed, including information, documents, measurements or compliance with laws and regulations, as relevant.

Internationally, AUP engagements are commonly performed on both financial and non-financial information for a variety of purposes due to regulation or demand. Examples of these include reports on:

BY REGULATION

- Specific historical financial information on a government-funded project or tender
- Capital adequacy ratios
- Reconciliations between different financial reporting frameworks
- Distributable retained earnings calculations
- Listed companies' results announcements and statements contained in listing circulars and prospectuses

BY DEMAND

- Due diligence when buying, selling, or merging a business or part thereof
- Comparison of revenues generated or turnover certificates to supporting documents where rentals due/commissions payable to another party is based on a percentage of revenue
- Internal controls over financial reporting or corporate governance requirements
- Bank loan covenants
- Inventory balances and inventory checking processes
- Revenue and accounts receivable balances
- Greenhouse gas emissions
- Royalty agreements

OBJECTIVES WHEN UNDERTAKING AN AUP ENGAGEMENT

Under ISRS 4400 (Revised) the objectives in an AUP engagement are to agree with the engaging party the procedures to be performed, perform the AUP, and communicate the procedures performed and related findings.

ENGAGEMENT ACCEPTANCE AND CONTINUANCE

Before accepting or continuing an AUP engagement, the practitioner obtains an understanding of the purpose of the engagement. The practitioner shall not accept or continue the engagement if the practitioner is aware of any facts or circumstances indicating that the procedures they are being asked to perform are inappropriate for the purpose of the AUP engagement. The standard provides specific conditions that must be met before the practitioner may accept or continue an AUP engagement. For example, that the practitioner has no reason to believe that relevant ethical requirements will not be complied with.



AGREEING THE TERMS OF THE ENGAGEMENT

The practitioner agrees the terms of the AUP engagement with the engaging party and records the agreed terms in an engagement letter. These terms include, among other matters, the identification of the subject matter(s) on which the agreed-upon procedures will be performed, the purpose of the engagement and the intended users of the AUP report (as identified by the engaging party).

The procedures to be performed during the AUP engagement may be prescribed by law or regulation. A condition of accepting the AUP 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. Examples of descriptions of actions that may be acceptable include confirm, compare, agree, trace, inspect, inquire, recalculate and observe. The practitioner may also decide to request written representations in some circumstances.

If the agreed-upon procedures are modified during the course of the engagement, the practitioner shall agree the amended terms of the engagement with the engaging party that reflect the modified procedures.





USING THE WORK OF A PRACTITIONER’S EXPERT

A practitioner may involve an expert in discussing with the engaging party the procedures to be performed or performing one or more of the AUP procedures. A practitioner’s expert may be an external expert or an internal expert who is part of the firm and therefore subject to the firm’s system of quality control. If the work of a practitioner’s expert is to be used, the requirements include for the practitioner to:

- Evaluate the competence, capabilities and objectivity of the practitioner’s expert;
- Agree with the practitioner’s expert on the nature, scope and objectives of that expert’s work;
- Determine whether the nature, timing and extent of the work performed by the practitioner’s expert is consistent with the work agreed with the expert; and
- Determine whether the findings adequately describe the results of the work performed, taking into account the work performed by the practitioner’s expert.

If the work of a practitioner’s expert is to be used, the practitioner must be involved in the work to an extent that is sufficient to take responsibility for the findings included in the AUP report. If the practitioner refers to the work performed by a practitioner’s expert in the AUP 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.

PROFESSIONAL JUDGEMENT

The practitioner exercises professional judgment in accepting, conducting and reporting on an AUP engagement, taking into account the circumstances of the engagement. Due to the nature of an AUP engagement, the need for the practitioner to exercise professional judgment is limited. Examples where professional judgment may be exercised, include:

- When accepting the engagement, in discussing and agreeing with the engaging party the nature, timing and extent of the procedures to be performed and the necessary resources to carry out the procedures.
- When conducting an engagement, in determining appropriate actions or responses if, when performing the agreed-upon procedures, the practitioner becomes aware of procedures that cannot be performed as agreed.

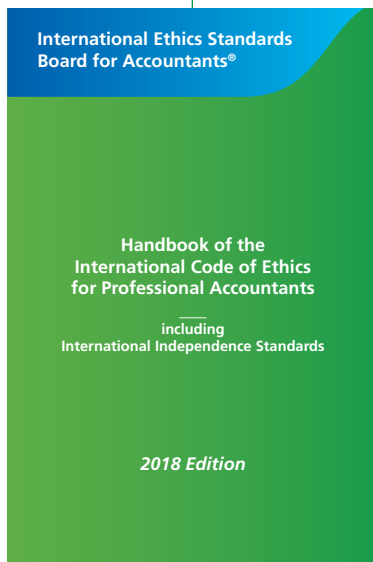


RELEVANT ETHICAL REQUIREMENTS

OBJECTIVITY AND INDEPENDENCE

The practitioner performing an AUP engagement is required to comply with relevant ethical requirements. These requirements ordinarily comprise the **International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code)**, together with national requirements that are more restrictive. The IESBA Code requires practitioners to comply with fundamental principles including objectivity.

The IESBA Code does not contain independence requirements for AUP engagements. However, national ethical codes, laws or regulations, or other professional requirements may specify requirements pertaining to independence.



NON-COMPLIANCE WITH LAWS AND REGULATIONS

Law, regulation or relevant ethical requirements may:

- Require the practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the practitioner's duty of confidentiality under law, regulation or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.



REPORTING

The practitioner communicates the agreed-upon procedures performed and the related findings in the agreed-upon procedures report. Among other requirements, this must include:

- The identification of the subject matter on which the agreed-upon procedures are performed.
- 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.
- A description of the agreed-upon procedures engagement stating that:
 - An agreed-upon procedures engagement involves the practitioner performing the procedures that have been agreed with the engaging party (and if relevant, other parties) and reporting the findings.
 - Findings are the factual results of the agreed-upon procedures performed.
 - The engaging party (and if relevant, other parties) has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.
- A statement that the AUP engagement is not an assurance engagement and accordingly, the practitioner does not express an opinion or conclusion.
- A statement that, had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported.
- A statement that the practitioner complies with the ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.
- With respect to independence:
 - If the practitioner is not required to be independent and has not otherwise agreed in the terms of engagement to comply with independence requirements, a statement that, for the purpose of the engagement, there are no independence requirements with which the practitioner is required to comply; or
 - If the practitioner is required to be independent or has agreed in the terms of engagement to comply with independence requirements, a statement that the practitioner has complied with the relevant independence requirements. The statement shall identify the relevant independence requirements.
- A statement that the firm of which the practitioner is a member applies ISQC 1¹, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1.
- A description of the procedures detailing the nature and extent, and if applicable, the timing, of each procedure as agreed in the terms of the engagement.
- The findings from each procedure performed, including details on exceptions found.

¹ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*. Please note the IAASB recently approved the [suite of new and revised quality management standards](#), including ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* with an effective date of December 15, 2022.

SAMPLE AUP ENGAGEMENTS

These examples are not exhaustive and are included to highlight a range of different AUP engagements being undertaken in different countries. The agreed-upon procedures listed are covered in broad, high-level terms as an illustration of the procedures that may be involved in AUP engagements. When agreeing the procedures with the engaging party, the practitioner may need to agree the procedures to a more granular level. For example, when agreeing certain expenditures to supporting documents, the procedure would need to indicate what those supporting documents are.




Case Study 1
PUBLIC GRANT

A not-for-profit organization undertakes clinical research for Parkinson’s disease, cancer, kidney disease, and many other ailments. Their research activity includes 234 national research projects, 52 international ones, and 747 clinical trials. More than 600 highly qualified professionals have participated in the research.

Government regulations establish that public grants should be subject to an AUP engagement to support fulfillment of several conditions and requirements on the application of the funds for the research projects.

The agreed upon procedures for the organization receiving the grant include:

- Agree the schedule of expenditure incurred on the research project with supporting documents, inspect whether these have been authorized in accordance with the organization’s authorization schedule, agree that the expenditure is recorded and classified in the accounting system in accordance with the terms of the grant, and trace through to the bank statements that all invoices have been paid.
- Inquire about the organizations authorized procedures for contracting goods and services and observe whether such procedures are followed in a certain time period.
- Agree the employees’ time spent on the projects to individual timesheets.
- Inquire whether the organization has been receiving other grants for the same project.



Case Study 2
NON-GOVERNMENTAL ORGANIZATION REPORT

An international non-governmental organization had granted an implementing partner a total of €650,000 for a project.² The financial year end of the implementing partner was December 20X1 and the financial statement audit was completed in March 20X2. Sufficient appropriate audit evidence was found that €645,000 had been used appropriately and in accordance with the project proposal. An unqualified audit report was issued.

The remaining balance of €5,000 was to be used for the payment of a report following the issuance of the financial statement audit opinion and completion of the project. An AUP engagement was undertaken where a practitioner was instructed to compare the remaining balance with invoices for the writing and editing of the project report.



² A standard currency unit is used in this example and referred to as “€”

SAMPLE AUP ENGAGEMENTS



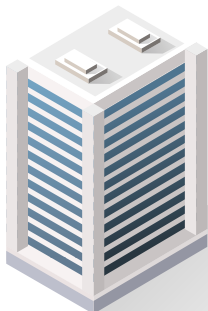
Case Study 3

FINANCIAL INFORMATION

With the increase in the audit threshold, ABC Limited no longer requires a statutory audit of its financial statements. However, the shareholders agreed that an AUP engagement was needed with regard to specific items of financial information including inventory and receivables.

The agreed-upon procedures include:

- Inquire of management and confirm in the inventory system that the company did not hold inventory above a predetermined amount that was older than 90 days as at December 31, 20XX (inventory ageing).
- Agree the cost price of the inventory as per the inventory system to the most recent purchase invoice (inventory accuracy).
- Agree the receivables in the receivables ledger to cash receipts for all of the receivables balances as of December 31, 20XX as evidence that the outstanding amount was received (receivables recoverability).
- Select the first five revenue orders of 20XY and the last five revenue orders of 20XX and agree their allocation is within correct period (revenue cut-off).



Case Study 4

MANAGEMENT FINANCIAL AND NON-FINANCIAL TARGETS

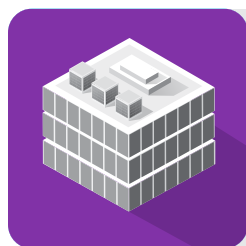
Every financial year at XYZ Limited, the shareholders and management sign a Performance Pack that sets financial and non-financial targets. On a quarterly basis, management carries out a self-assessment against the targets and submits a report to the Board of Directors for review and approval. At the end of each year, the shareholders appoint a practitioner and two engagement letters are signed: one for the audit and one specifically for the AUP on the Performance Pack.

The agreed-upon procedures on the Performance Pack include:

- Obtain from management documentation about the process for extracting data from the underlying sources.
- Inspect whether controls listed in the documentation have been implemented.
- Agree the information used in the Performance Pack to the underlying financial and non-financial data.
- Recalculate the mathematical accuracy of the financial information used in the Performance Pack.
- Compare the Key Performance Indicators (KPIs) as included in the Performance Pack against the targets set by management in its strategic plan, inquire about any differences and report management's responses, where necessary.

In addition, the practitioner obtained management representation on all the assertions made in the Performance Pack.

SAMPLE AUP ENGAGEMENTS



Case Study 5

LOAN AGREEMENT COVENANTS

CBA Limited has a loan agreement with a consortium of banks. The loan agreement requires that the rate of interest to be paid for the loan varies depending on the results of specific financial covenants. Detailed definitions for each of the financial covenants are described in the loan agreement and are derived from the financial statements of CBA Limited. The loan agreement also requires an AUP engagement to be undertaken to report on CBA's calculation of the financial covenants.

The agreed-upon procedures include:

- Agree the data used to calculate the financial covenants to the entity's general ledger.
- Recalculate the mathematical accuracy of the calculation of the financial covenants.
- Confirm that the calculation is in accordance with the definitions of the financial covenants set out in the loan agreement.



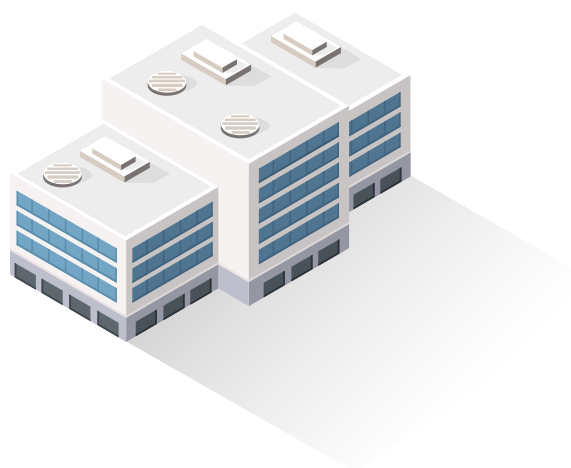
Case Study 6

DUE DILIGENCE

LMO Limited is a company producing automotive parts. It is considering purchasing an overseas company operating in the same sector. The overseas company prepares audited financial statements, but LMO Limited engages an accountancy firm to undertake an AUP engagement to obtain specific information to agree aspects of the financial information used to determine the purchase price.

The agreed-upon procedures include:

- Agree revenue from the 10 largest aggregate sales by revenue amount over the last five years to the acquiree's financial reporting system, and recalculate the percentage of each one compared to the total revenue.
- Agree revenue from five primary products sold to each of the main clients by revenue amount to the acquiree's financial reporting system, identifying the car model that used the product(s).
- Inspect confirmed orders for the next two years to relevant acquiree records, agreeing the product and car model.
- Inspect invoices for the price of steel acquired in the last 24 months and agree to amounts that have been used in the valuation of the inventory.
- Recalculate management's gross profit calculations for the last three years taking into account the impact of revenue, non-recurring profits or losses, acquisition cost variations, and production changes and inquire about any unexplained differences and report management's responses, where necessary.



TWO ILLUSTRATIONS OF AGREED-UPON PROCEDURES REPORTS FROM APPENDIX 2 OF ISRS 4400 (REVISED)

ILLUSTRATION 1

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

- The engaging party is the addressee and the only intended user. The engaging party is not the responsible party. For example, the regulator is the engaging party and intended user, and the entity overseen by the regulator is the responsible party.
- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is no restriction on the use or distribution of the report.
- There are no independence requirements with which the practitioner is required to comply.
- A quantitative threshold of \$100 for reporting exceptions in Procedure 3 has been agreed with the engaging party.



AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressee]

Purpose of this Agreed-Upon Procedures Report

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.

Responsibilities of the Engaging Party and the Responsible Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Responsible Party], as identified by [Engaging Party], is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

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

Professional Ethics and Quality Control

We have complied with the ethical requirements in [describe the relevant ethical requirements]. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

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

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party], on the procurement of [xyz] products.

	PROCEDURES	FINDINGS
1	Obtain from management of [Responsible Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over \$25,000.	We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. 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 the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Responsible 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 [Responsible Party]’s “Pre-qualified Contractors List.”
3	For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Responsible] to the contractor and determine whether the amount ultimately paid is within \$100 of 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 [Responsible Party] to the contractor. We found that the amounts ultimately paid were within \$100 of the agreed amounts in all of the 37 contracts with no exceptions noted.

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

TWO ILLUSTRATIONS OF AGREED-UPON PROCEDURES REPORTS FROM APPENDIX 2 OF ISRS 4400 (REVISED)

ILLUSTRATION 2

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

- The engaging party is the responsible party. The intended user, who is different from the engaging party, is an addressee in addition to the engaging party. For example, the regulator is the intended user and the entity overseen by the regulator is the engaging party and responsible party.
- 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 and distribution of the report.
- The practitioner is the auditor of the financial statements of the engaging party (who is the responsible party). The practitioner has agreed with the engaging party that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner has agreed to include, in the terms of engagement, compliance with the independence requirements applicable to audits of financial statements for the purpose of the agreed-upon procedures engagement.
- The practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.



AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressee]

Purpose of this Agreed-Upon Procedures report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting [Intended User] in determining whether the [Engaging Party]'s procurement of [xyz] products is compliant with [Intended User]'s 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 used by, or distributed to, any other parties.

Responsibilities of the Engaging Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Engaging Party (also the Responsible Party)] is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

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

Professional Ethics and Quality Control

We have complied with the ethical requirements in [describe the relevant ethical requirements] and the independence requirements in accordance with [describe the relevant independence requirements].³

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

³ For example, if the IESBA Code is the relevant ethical requirements and Part 4A of the IESBA Code is the relevant independence requirements, this sentence may be worded along the following: "We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and the independence requirements in Part 4A of the IESBA Code."

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party] in the terms of engagement dated [DATE], on the procurement of [xyz] products.

	PROCEDURES	FINDINGS
1	Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over \$25,000.	<p>We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1].</p> <p>Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000.</p>
2	For each identified contract valued at over \$25,000 on the listing, compare the contract to the 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 records of bidding that were submitted in [foreign language], translate the records of bidding with the assistance of a translator engaged by the practitioner before performing the comparison.	<p>We inspected the records of bidding related to the 37 contracts valued at over \$25,000. Of the records of bidding related to the 37 contracts, 5 were submitted in [foreign language]. We engaged a translator to assist us in the translation of these 5 records of bidding.</p> <p>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.”</p> <p>We found 1 contract valued at \$65,000 that was not subject to bidding. Management has represented to us that the reason that this contract was not subject to bidding was due to an emergency to meet a contractual deadline.</p> <p>The engagement of the translator to assist us in the translation of the records of bidding does not reduce our responsibility for performing the procedures and reporting the findings.</p>
3	For each identified contract valued at over \$25,000 on 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, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X1.</p>

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

IFAC RESOURCES

IFAC supports the SMP sector through a number of initiatives to raise the profile and build the capacity of SMPs globally. With input and guidance from the **SMP Advisory Group**, IFAC represents SMPs' interests to standard setters and regulators, facilitates sharing tools and resources to help them compete in the global marketplace, and speaks out to raise awareness of their role and value, especially in supporting small- and medium-sized enterprises (SMEs).

Visit the **IFAC Knowledge Gateway** to find relevant articles, videos and resources impacting the global accountancy profession and register to receive *The Latest*, a bi-weekly newsletter that summarizes the content added every two weeks.



There are a number of non-audit services available to small and medium-sized entities (SMEs), including review, compilation, other assurance, and engagements to perform agreed-upon procedures. The choice of service will depend on the circumstances for each individual entity and requires careful consideration. IFAC has a separate brochure designed for use by SMPs that explains and differentiates the range of financial reporting services SMPs can provide and tailor to meet the needs of their SME clients: *Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services*.



IFAC SMP



@IFAC_SMP



International Federation of Accountants

For more information about IFAC, please contact:

Christopher Arnold
Head of SME/SMP and Research

T +1 212 286 9344

christopherarnold@ifac.org

www.ifac.org



International
Federation
of Accountants