

Chapter 9 - "RELATED SERVICES"

SRS 4400 - "ENGAGEMENTS TO PERFORM AGREED UPON PROCEDURES REGARDING FINANCIAL INFORMATION"

What are Related Services?	<ol style="list-style-type: none"> 1. Preparation of tax returns. 2. Consulting (or advisory) such as management and tax consulting.
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Objective in Accordance with SRS 4400	Example, an agreed upon procedures engagement to evaluate validity of accounts payable
<ul style="list-style-type: none"> • To carry out procedures of audit nature to which auditor, entity & 3rd parties have agreed & to report on factual findings. • Auditor simply provides a report of factual findings of agreed upon procedures, no assurance is provided by him. Instead, users assess for themselves findings reported by auditor and draw their own conclusions. • Report is usually restricted to parties that have agreed to procedures to be performed since others, unaware of reasons for procedures, may misinterpret results. 	<ol style="list-style-type: none"> 1. Comparing names of major suppliers & amt.s O/s on a date to related names & amt.s in trial 2. Obtaining suppliers statements or confirmations from suppliers to confirm balances O/s on a date 3. Comparison of such statements or confirmations to amt. in trial balance 4. Further, actual findings like variation in balances reflected in trial balance & statements or confirmations are given. <p>Actual findings are reported as such without providing an assurance.</p>

General Principles of an Agreed-upon Procedures Engagement
<p>The auditor should comply with the Code of Ethics, issued by the ICAI (Integrity, Objectivity, Professional competence & due care, Confidentiality, Professional conduct and Technical standards) Independence is not a requirement for agreed-upon procedures engagement. However, terms or objective of engagement may require the same. Where auditor is not independent ---> a statement should be made in Report Of Factual Findings.</p>

Terms of the Engagement - Matters to be agreed
<ol style="list-style-type: none"> 1. Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed. 2. Stated purpose for the engagement. 3. Identification of financial information to which agreed-upon procedures will be applied. 4. Nature, timing and extent of the specific procedures to be applied. 5. Limitations on distribution of the report of factual findings. Distribution would be restricted to parties who have agreed to procedures to be performed. When such limitation would be in conflict with legal requirements, auditor would not accept the engagement.

Matters to be included in engagement letter	Procedures applied in an engagement to perform agreed-upon procedures:
<p>Auditor sends an engagement letter documenting terms of appointment</p> <ol style="list-style-type: none"> 1. Listing of procedures to be performed 2. Statement ---> distribution of Report Of Factual Findings would be restricted to specified parties who have agreed to the procedures to be performed 	<ol style="list-style-type: none"> 1. Inquiry and Analysis 2. Re computation, comparison and clerical accuracy checks 3. Observation 4. Inspection 5. Obtaining confirmations

REPORTING

Report should describe purpose & agreed-upon procedures in sufficient detail. Also clearly mention that no audit or review has been performed.

1	Title
2	Addressee (ordinarily, the appointing authority)
3	Identification of specific information to which agreed upon procedures have been applied
4	Statement that procedures performed were those agreed-upon with recipient
5	Statement that engagement was performed as per SRS applicable to AUP engagements
6	Identification of purpose for which agreed-upon procedures were performed
7	Listing of the specific procedures performed
8	Description of auditor's factual findings including errors & exceptions found
9	Statement ---> Procedures do not constitute Audit or Review &, no assurance is expressed
10	Statement ---> Had the auditor performed additional procedures (Audit or Review), other matters might have come to light that would have been reported
11	Statement ---> Report is restricted to parties that have agreed to procedures to be performed
12	Statement ---> Report relates only to a/cs, items specified & does not extend to F.s as a whole
13	Date of report
14	Place of signature and
15	Auditor's signature

DOCUMENTATION

- Matters important in providing evidence to support Report of Factual Findings, &
- Evidence that engagement was carried out as per SRS4400 and terms of engagement.

SRS 4410 - COMPILATION ENGAGEMENTS

What is a Compilation engagement?	Scope of Compilation Engagements
<p>Compilation engagement is an engagement in which a practitioner</p> <ul style="list-style-type: none"> • applies a/cing & financial reporting expertise • to assist mgt. in preparation & presentation of financial info. in accordance with an AFRF • issues a report. <p>It is Not an assurance engagement. It does not require practitioner to verify accuracy or completeness of info. provided by mgt. for compilation, or to express an audit opinion.</p>	<ol style="list-style-type: none"> 1. Scope will vary depending on engagement. However, in every case it will involve assisting mgt. in preparation & presentation of entity's financial information in accordance with FRF. 2. Mgt. retains responsibility for financial information and basis on which it is prepared. Responsibility includes (application of judgment selection & application of a/c policies developing reasonable a/c estimates) 3. Different FRFs can be used to prepare financial information FRF adopted depends on nature of entity and intended use of info.
<p>Compilation engagement may be required for various purposes : -</p>	
<ol style="list-style-type: none"> 1) To comply with mandatory periodic financial reporting requirements in law or regulation, or 2) For other purposes, example: - <ul style="list-style-type: none"> • For mgt. or TCWG, for their purposes (for internal use). • For periodic reporting for external parties under (funding body for provision of grant). • For transactional purposes (merger or acquisition). 	

ETHICAL REQUIREMENTS

- Practitioner shall **comply with ethical** requirements. **Threats** to be **identified & addressed**.
- Being in nature of non-assurance engagement, independence requirements do not apply

ENGAGEMENT ACCEPTANCE AND CONTINUANCE

Practitioner shall **NOT accept** engagement **unless** practitioner has **agreed terms** of engagement with Management. & Engaging party, if different, including: -

1. **Intended use & distribution of financial info.**, & any restrictions on either use or distribution
2. Identification of **AFRF**.
3. **Objective & scope** of compilation engagement
4. Responsibilities **of practitioner**, including requirement to comply with ethical requirements
5. Responsibilities **of mgt.**

<ul style="list-style-type: none"> • Financial information, and for preparation & presentation thereof, in accordance with a FRF that is acceptable in view of intended use & intended users • Design, Implementation & Maintenance of Internal Control • Accuracy & completeness of records, explanations provided by mgt. for compilation • Judgments needed in preparation & presentation of financial info., including those for which practitioner may provide assistance during compilation
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6. Expected **form & content of practitioner's report**.

Practitioner shall **record agreed terms** of engagement in an engagement letter

On **recurring compilation engagements**, ---> Evaluate whether **circumstances**, **require terms** of engagement **to be revised** & whether there is **need to remind mgt.** of existing terms.

PERFORMING THE ENGAGEMENT

Performing	<ol style="list-style-type: none"> 1. Practitioner shall obtain an understanding of following to perform compilation: <ol style="list-style-type: none"> a. Entity's business & operations, including entity's a/c system & records b. AFRF, including its application in entity's industry.
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	<p>2. Practitioner shall compile financial information using documents, explanations & other information, including significant judgments, provided by mgt.</p> <p>3. Practitioner shall discuss with Mgt./TCWG, those significant judgments, for which practitioner has provided assistance</p> <p>4. Prior to completion of compilation engagement, practitioner shall read compiled financial information.</p> <p>5. If, during compilation, practitioner becomes aware that records, documents, explanations, judgments, provided by mgt. are incomplete, or unsatisfactory, practitioner shall bring that to attention of mgt. & request additional information.</p>
Withdrawal	<p>6. If practitioner is unable to complete engagement because mgt. has failed to provide documents, explanations, including significant judgments, ---> practitioner shall withdraw from engagement & inform Mgt./TCWG of reasons for withdrawing.</p> <p>7. If practitioner becomes aware during course of engagement that: -</p> <ul style="list-style-type: none"> • Compiled financial information does not adequately refer to or describe AFRF • Amendments are required for financial info. NOT to be materially misstated; • Compiled financial information is otherwise misleading <p>Practitioner shall propose amendments to mgt.</p> <p>8. If mgt. declines, practitioner to make proposed amendments ---> practitioner shall withdraw from engagement & inform Mgt./TCWG of reasons for withdrawing.</p> <p>9. If withdrawal not possible, determine professional & legal responsibilities.</p>
Practitioner shall obtain an acknowledgement from Mgt. /TCWG, that they have taken responsibility for the final version of compiled financial information.	

ELEMENTS OF THE PRACTITIONER'S REPORT

1	Title
2	Addressee
3	Statement that practitioner has compiled financial info. based on info. provided by mgt.
4	Description of responsibilities of mgt. , or TCWG
5	Identification of AFRF and, description of special purpose financial reporting framework used
6	Identification of financial information , including title, date, period to which it relates
7	Description of practitioner's responsibilities , including that engagement was performed in accordance with this SRS, and practitioner has complied with relevant ethical requirements
8	Description of what a compilation engagement entails in accordance with this SRS
9	<p>Explanations that: -</p> <ul style="list-style-type: none"> • Since a compilation engagement is not an assurance engagement, practitioner is not required to verify accuracy or completeness of info. provided by mgt. for the compilation and • Accordingly, practitioner does not express an audit opinion that financial info. is prepared as per AFRF. <p>If financial information is prepared using a special purpose FRF, an explanatory paragraph:</p> <ul style="list-style-type: none"> • Describes the purpose for which the financial information is prepared • Draws attention of readers to the fact that the financial info. is prepared as per special purpose framework and may not be suitable for other purposes
10	Date of practitioner's report
11	Practitioner's signature
12	Place of signature

Engagement Level Quality Control	The Practitioner's Report
<p>Engagement partner has responsibility for: -</p> <ol style="list-style-type: none"> 1. Overall quality of engagement 2. Engagement being performed as per firm's quality control policies & procedures 	<p>Purpose of practitioner's report is, to clearly communicate</p> <ul style="list-style-type: none"> • nature of compilation engagement, and • practitioner's role & responsibilities. <p>Practitioner's report is not a vehicle to express an opinion or conclusion.</p>

DOCUMENTATION

Practitioner shall include in engagement documentation : -

1. Significant matters arising during engagement and how those were addressed by practitioner
2. Record of how compiled financial info. Reconciles with records, documents & explanations by mgt.
3. Copy of final version of compiled financial information, and practitioner's report.
4. May also include a copy of trial balance, summary of significant a/c records or other information.