

SRS 4400 “Engagements to perform Agreed Upon Procedures regarding Financial Information (Gumrah)”

Agreed Upon Procedures (definition)

- When auditor is engaged by the client
 - ✓ to issue a **report of factual findings**,
 - ✓ based on specified procedures (audit nature) on specified subject matter (805) of specified elements, accounts or items of a financial statement,
 it is to be considered as an engagement to perform agreed-upon procedures.
- Such engagement may require the auditor to perform certain procedures concerning individual items of financial data, say, accounts payable, accounts receivable or a F.S., say, a balance sheet (805) or even a complete set of F.S (atii pagalpanti).

NOTE

Person performing related services **need not necessarily be the auditor** of entity. (ho bhi sakta hai)

Audit Vs. Agreed-upon Procedures

- A key difference between an audit and agreed-upon procedures relates to assurance.
- An audit expresses an opinion and provides assurance to users.
- However, in an agreed-procedures engagement, only a report of the factual findings of agreed-upon procedures is provided. No assurance is given to users. Instead, users draw their own conclusions based on factual findings stated in the report.

Example: An agreed upon procedures engagement to evaluate validity of accounts payable may state the following: (normal eg)

- (1) Comparing of names of major suppliers and the amounts outstanding as on a date to the related names and amounts in the trial balance.
- (2) Obtaining suppliers statements or confirmations from suppliers to confirm balances outstanding on a date.
- (3) Comparison of such statements or confirmations to the amounts in trial balance.

Rachit’s Special

Audit	Agreed-upon Procedures
Reasonable Assurance	No Assurance
Expresses an opinion in a report called Audit Report	<ul style="list-style-type: none"> ✓ Does NOT express an opinion & ✓ Only provides a Report of the factual findings. (Basis of Opinion) ✓ Users draw their own conclusions based on factual findings stated in the report

Objective in Accordance with SRS 4400

- The objective of an agreed upon procedure engagement for auditor is to carry out procedure of audit nature, to which the auditor and the entity and any appropriate third parties have agreed and to report on factual finding thereon.

- Report is generally restricted to those parties that have agreed to the procedures to be performed. (Limitation on Use/Distribution para in Report)

General Principles of agreed upon procedure

Auditor should comply with Code of Ethics issued by ICAI. Ethical Principles are:

- Integrity;
- Objectivity
- Professional competence and due care;
- Confidentiality;
- Professional conduct; and
- Technical standards (jabbardasti wala point)

NOTE

Independence is not a requirement for agreed-upon procedures engagement, however, the terms or objective of the engagement may require the auditor to comply with the independence requirements of the Code of Ethics issued by the ICAI. **Where the auditor is not independent, a statement to that effect should be made in the report of factual findings.** (Aflatunnn)

Defining the terms of Engagement (thoda kaam ka hai)

There should be a clear understanding among the auditor, the client and other specified parties (agreement banana wale log).

The terms to be agreed include the following:

- Stated purpose for the engagement. (ROFF)
- NTE of the specific procedures (Audit Nature)
- Identification of financial information (NFI also) to which the AUP will be applied. (805)
- Fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed.
- Limitation on distribution of the report of factual findings.

Note- If such limitation would be in conflict with the legal requirements, the auditor would NOT accept the engagement.

Issue of Engagement Letter

- It is in the interests of both client and auditor that the auditor sends an engagement letter documenting the key terms of the appointment. (**OPTIONAL** hai, yeah toh gajab hai)
- Engagement letter confirms the auditor's acceptance of the appointment and helps avoid misunderstanding (regarding such matters as the objectives and scope of the engagement, the extent of the auditor's responsibilities and the form of reports to be issued.)
- Engagement Letter shall include the following matters: (LBH)
 - (1) List of the procedures to be performed as agreed-upon between the parties.
 - (2) A statement that the distribution of the report of factual findings would be restricted to the specified parties who have agreed to the procedures to be performed.

Planning (thankyou)

The auditor should plan the work so that an effective engagement will be performed.

Procedures and Evidence

- Auditors should carry out necessary procedures and use the evidence obtained as basis for report of factual findings. (audit nature)
- The procedures applied in an engagement to perform AUP may include:
 - (1) Inquiry and analysis
 - (2) Re computation, comparison (AP) and other clerical accuracy checks, Observation
 - (3) Inspection
 - (4) Obtaining confirmations (EC)

Note- Methods to obtain AE (except Reperformance)

Reporting

The report of factual findings should contain:

- Title;
- Addressee
- Identification of specific financial or **non-financial information** to which the agreed-upon procedures have been applied
- A statement that the procedures performed were those agree-upon with the recipient.
- A statement that the engagement was performed in accordance with this standard and terms of engagement.
- Identification of the Purpose.
- A listing of the specific procedures performed.
- A description of the auditor's factual findings including sufficient details of errors and exceptions found.
- A statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed.
- A statement that the report is restricted to those parties that have agreed to the procedures to be performed.
- A statement (when applicable) that the report relates only to the elements specified and that it does not extend to the entity's financial statements taken as a whole
- Date of the report
- Place of signature
- Auditor's signature

Documentation (Pratha)

Auditor should document matters which are important in providing the evidence to support the report of factual findings, and evidence that the engagement was carried out in accordance with this SRS and the terms of the engagement.

Rachit's Special

- Report of Factual Finding (ROFF) NOT Audit report