

ISRS 4400

Agreed Upon Procedures

Overview

Often organizations do not need a complex audit such as a statutory audit. Globally there is an increasing need to improve the reliability of financial and non-financial information according to some criteria. The areas where third-party verification may be most needed are financing, grants or compliance with legal obligations.

Educational aims:

- to learn about the content of ISRS 4400 (revised), including the most important new features and changes
- to describe the key features of an engagement and reporting under ISRS 4400 that distinguish it from an assurance engagement and reporting to enable auditors
 - to identify when the application of ISRS 4400 (revised) may be relevant, and
 - to make these differences clear to the client as well and to understand that the procedures that the client expects the auditor to perform should be jointly (in writing) defined and agreed upon by the client and the auditor
- to know which are the typical agreed-upon procedures engagements
- to illustrate through practical examples the typical agreed-upon procedures and reports for some typical engagements in accordance with the requirements of ISRS 4400 (revised).

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Introduction

The numbering of international standards on auditing helps identify which types of engagements they apply to. The following guide will help you find your way around the numbering of standards and what they cover:

| 1-99 standards on quality control | | | |
|---|---|--|---|
| Framework for assurance services | | | Standards for related services |
| Historical financial information | | Other financial information | |
| 100-999 international standards on auditing | 2000-2699 standards for due diligence engagements | 3000-3699 standards for assurance services | 4000-4699 standards for related services |

Local rules may require the adoption of international standards, so, the entry into force of some standards may be preceded by the approval of an authority, which typically means the translation of the standards.

Currently, two standards apply to related services:

| ISRS | Document title | Application |
|------|---|--|
| 4400 | Engagements to perform agreed-upon procedures | the revised standard applies to engagements to perform agreed-upon procedures for which the terms of the agreement are agreed in the engagement contract on or after 1 January 2022; the pre-revision standard applies to previous engagements |
| 4410 | Compilation engagements | it applies to compilation engagements where the engagement contract and the compilation engagement report are dated 1 January 2019 or later |

This educational material will cover IRS 4400 (revised).

Statutory audit is governed by auditing standards 100-999. Consequently, for related services, these auditing standards not only do not need to but should not be taken into account. Related services are governed solely by the standards on quality control, the standards on related services and the agreement between the client and the auditor. The title of the standard is also revealing - it is not by chance that it is called ENGAGEMENT TO PERFORM AGREED-UPON PROCEDURES (AUP).

The previous version of ISRS 4400 took up about 11 pages. The revised standard is now 40 pages.

Service provided by an auditor, but not an audit engagement!

The five-year route to the revised standard

The current ISRS 4400 was adopted more than 20 years ago and has been in force unchanged until now. However, the demand for agreed-upon procedures engagements has grown as the number of financing and grant projects has continuously increased, and the needs and expectations for their accounting have come into focus.

In 2015, the IAASB launched a project to examine issues related to AUP engagements.

In November 2016, the IAASB issued a discussion paper to explore the demand for and issues raised by AUP engagements. There was a wide range of feedback from all jurisdictions, which mostly agreed with the issues identified in the discussion paper. As a result of the responses to the discussion paper, in September 2017, the IAASB launched a project to revise ISRS 4400.

In November 2018, the IAASB issued a draft of proposed ISRS 4400. The draft has received 52 proposals, including from audit firms, the International Federation of Accountants (IFAC) and the public sector.

The final version was approved in December 2019.

Effective date

ISRS 4400 (revised) applies to engagements for which the terms are agreed by the parties on or after 1 January 2022. In all cases when local rules require the adoption of the standards, the effective date may be different from the effective date of the standard.

It shall apply to engagements created on or after 1 January 2022

Objectives of ISRS 4400 (revised):

Answers to the questions raised during the review of the standard are included in the objectives of the standard. The auditor should always perform the engagement with these objectives in mind:

1. The auditor must agree with the client on the procedures to be performed
2. The auditor should perform the procedures set out in point 1 and
3. communicate the procedures performed and the related factual findings in a manner specified in the standard.

These objectives make it clear that, in contrast to an assurance service where the auditor has to plan the procedures to be performed based on an assessment of the risks and express an audit opinion based on the audit evidence obtained on those risks – this type of planning is not required in the auditor's report.

The current ISRS 4400 is somewhat ambiguous as to its objectives, as it states that the auditor should perform **procedures of an audit nature** to which the auditor and the entity have agreed. However, the previous standard already intended that the auditor should not express an opinion on the findings of the audit, as the auditor does not express assurance on the subject matter of the audit, but only communicate their factual findings.

For audits under ISRS 4400, the auditor does not need to perform risk assessment procedures and plan the audit on that basis: the procedures to be performed should be agreed between the client and the auditor. In practice, the client often does not know what procedures the auditor should perform. The auditor may have to gather them from other sources. In many cases, this information is available to the client, but the client cannot interpret them. For example, in the case of an EU grant application, there is a reference in the grant agreement to the procedures that the auditor shall perform. In such a case, it is the auditor's responsibility to ensure that the client understands the procedures and is satisfied that they are consistent with the objectives of the engagement and that they are accepted.

In their report, the auditor shall state factually the findings of the procedures performed. The auditor is not allowed to express an opinion on the findings, unlike in a statutory audit, where the auditor is required to express an opinion on the findings. As a result of the AUP engagements, the user of the report will be in a decision-making position. The more accurate the findings are, the more responsible decision the user of the auditor's report can make.

**Reasonable assurance /
limited assurance**

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Definitions and requirements




As with other standards, definitions have been added to ISRS 4400 (revised).

Among the definitions, the definitions of engagement partner, engagement team and practitioner are worth considering. For smaller audit firms, these can be a source of misunderstanding, as these responsibilities are often not separated.

The engagement partner is responsible for the performance of the engagement and the agreed-upon procedures report that is issued on behalf of the firm. This person may be a partner in the audit firm, but the title is not an exclusive condition. This person is in practice the person who is authorized to act on behalf of the audit firm on the basis of the relevant powers and who is also responsible for the engagement.

The engagement team, as we have seen with the audit engagements, includes everyone who performs procedures on the engagement. This includes the engagement partner, the staff, and any individuals engaged by the firm or a network firm who perform procedures on the engagement.

The practitioner is personally responsible for the professional performance of the specific engagement.

|  Engagement partner |  Practitioner |  Engagement team |
|--|---|---|
| <p>Responsible for the contractual performance of the engagement, the agreed-upon procedures report that is issued on behalf of the firm and thus for the internal quality control system.</p> | <p>Responsible for the professional performance of the engagement, for managing the engagement team and for ensuring that the engagement is conducted in accordance with the firm's internal quality control rules.</p> | <p>Responsible for the professional performance of the tasks entrusted to them and for compliance with the firm's internal quality control rules.</p> |

In the case of auditors working alone without an assistant, these functions are performed by one person.

Two new and interesting definitions appear among the definitions. One is professional judgment; the other is relevant ethical requirements.

In the current ISRS 4400, some thoughts on independence are included in the relevant ethical requirements. The independence of the auditor was a condition for this type of engagement only if it was specified by the parties in the terms of the engagement. If the auditor was not independent, they had to make a statement to that effect in their report on the factual findings.

In the case of AUP engagements under ISRS 4400 (revised), it no longer talks only about independence requirements, but also about the auditor's compliance with ethical requirements. These ethical requirements are set out in the International Code of Ethics for Professional Accountants (the Code), which is already familiar to us in the context of audit engagements and are also applicable alongside national requirements.

Professional judgment and relevant ethical requirements among the definitions.

Compliance with the relevant ethical requirements focuses primarily on the need for the auditor to remain objective during the engagement. However, it would be difficult for an auditor to abandon any of the ethical principles: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Independence is still not a requirement, nevertheless, the terms and objectives of an engagement or national standards may require the auditor to comply with independence requirements. The IESBA Code includes International Independence Standards, which does not contain independence requirements for agreed-upon procedures engagements. The independence criteria must therefore be carefully considered for each engagement.

Professional judgment may be exercised in accepting the engagement, conducting the engagement and reporting on the engagement. All this requires the auditor to document these circumstances, and the best way to do this is often to draw up an appropriate checklist. However, the auditor should always bear in mind that the possibility of exercising professional judgment in this type of engagement is very limited. This is due to the nature of the engagement, since the procedures to be performed are determined by the client, the findings must be communicated objectively in the reporting, and the evaluation of the results is the responsibility of the user of the report, not the auditor.

Independence is still not a requirement, nevertheless, the terms and objectives of an engagement or national standards may require the auditor to comply with independence requirements.

Examples when professional judgment can be exercised:

In accepting an engagement, the auditor must often consider:

- whether the nature, timing and extent of the procedures to be performed are consistent with the purpose of the engagement,
- discussing and agreeing with the engaging party if the procedures to be performed are not suitable for the purpose of the engagement,
- whether sufficient resources are available to conduct the engagement,
- whether an external expert should be involved.

In conducting the engagement, it should be considered whether:

- there are matters that may indicate fraud or suspected non-compliance with law,
- there are other matters that cast doubt to the integrity of the information relevant to the agreed-upon procedures engagements or that indicate that the information may be misleading,
- there are procedures that cannot be performed as agreed.

And in reporting on the engagement, describing the findings in an objective manner and in sufficient detail, including when exceptions are found.

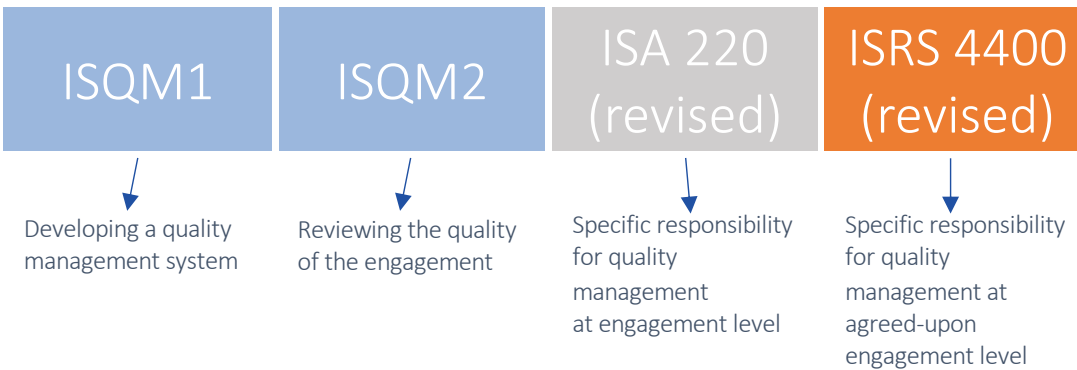
Quality control, quality management

For audit engagements, quality control at engagement level is relevant, supported by ISA 220, and at company level by ISQC1. The latter is intended to ensure that the quality control criteria required at engagement level are met by the auditor (company) for each engagement. ISRS 4400 (revised) states that the engagement partner shall take responsibility for the overall quality of the engagement and the engagement is being performed in accordance with the company's quality control policies and procedures.

Engagements agreed on or after 01.01.2022 are already subject to quality management rules.



Bear in mind that the quality standards have also changed and will enter into force on 15 December 2022.



For AUP engagements, the work performed by the auditors was different, and it was therefore necessary to formulate and standardize the responsibilities of the engagement partner at engagement level in this standard (ISRS 4400.19).

The engagement partner shall take responsibility for the overall quality of the engagement including, if applicable, work performed by a practitioner's expert.

The engagement partner shall also take responsibility for the engagement being performed in accordance with the company's quality control policies and procedures.

For more information, see the compulsory educational material of the two new and one revised quality management standards (ISQM 1, ISQM 2, ISA 220)

Obviously, this also means that the documentation of the internal quality control system, and the internal rules and regulations, must be reviewed and the necessary changes made to them so that the responsibility of the engagement partner as defined in ISRS 4400 (revised) can be applicable. In the case of AUP engagements, the addendum shall include at least:

- the appropriate procedures to be followed for the acceptance and continuance of engagements
- how it will be ensured 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 engagement
- what procedures are in place to monitor compliance with the relevant ethical requirements for the engagement and, if members of the engagement team have not complied with these requirements, what actions are appropriate
- procedures to ensure that the engagement is directed, supervised, and performed in compliance with professional standards and applicable legal and regulatory requirements
- internal rules on the maintenance of appropriate engagement documentation.

The development and operation of a quality control system is the responsibility of the audit firm, and compliance with it is also the responsibility of the engagement partner, who is entitled to represent the firm. This is why it was necessary to include the engagement partner in the definitions.

The objectives of the quality control policy should be designed to ensure that the audit firm and its staff comply with the requirements of the standard and the conditions prescribed by law and that the reports issued are adequate in the circumstances.

Accepting the engagement

“One of the most important decisions that a firm can make is determining what engagements to accept or which client relationships to retain. A poor decision can lead to unbillable time, unpaid fees, additional stress on partners and staff, loss of reputation, and, worst of all, potential lawsuits.”¹

The first and most important condition for accepting an engagement is that the auditor shall obtain an understanding of the purpose of the engagement. The auditor shall not accept the engagement if the auditor is aware of any facts indicating that the procedures the auditor is being asked to perform are inappropriate for the purpose of the engagement.

Additions to the internal quality control system may need to be made as early as 2022 to comply with ISRS 4400 (revised).

The auditor shall not accept the engagement if the auditor is aware of any facts indicating that the procedures the auditor is being asked to perform are inappropriate for the purpose of the engagement.

¹ Source: Guide to Using ISAs in the Audits of Small- and Medium-Sized Entities (IFAC, Fourth Edition) Volume 2.

The standard lists the circumstances in which an engagement can be accepted:

- the engaging party acknowledges that the expected procedures to be performed by the practitioner are appropriate for the purpose of the engagement,
- the practitioner expects to be able to obtain the information necessary to perform the agreed-upon procedures,
- the agreed-upon procedures can be described objectively, in terms that are clear, not misleading and not subject to varying interpretations,
- at the time of accepting the engagement, the practitioner complies with the relevant ethical conditions and has no reason to believe that the audit firm will not comply with them,
- if independence requirements are imposed by the engagement or by law, whether the practitioner meets and can maintain them.

If, during the performance of the engagement, the practitioner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the practitioner shall communicate that information promptly to the engagement partner, so that the firm and the engagement partner can take necessary action.

The terms of the engagement under the standard shall be set out in a contract.

This engagement contract is not the same as an audit contract! It is recommended that the auditor has a template for this type of engagement that can be used in their engagements.

The contract shall include at least:

- 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 agreed-upon procedures report as identified by the engaging party
- if applicable, the responsible party as identified by the engaging party, and a statement that the agreed-upon procedures engagement is performed on the basis of that the responsible party is responsible for the subject matter on which the agreed-upon procedures are performed
- acknowledgement of the relevant ethical requirements with which the practitioner will comply in conducting the agreed-upon procedures engagement
- a statement as to whether the practitioner is required to comply with independence requirements and, if so, the relevant independence requirements
- the nature of the agreed-upon procedures engagement, including statements that:
 - the practitioner performs the procedures agreed with the engaging party
 - findings are the factual results of the agreed-upon procedures performed
 - the practitioner does not express an opinion or an assurance conclusion

The subject matter of the engagement can be both financial and non-financial information

- acknowledgement by the engaging party that the agreed-upon procedures are appropriate for the purpose of the engagement
- identification of the addressee of the agreed-upon procedures report
- the nature, timing and extent of the procedures to be performed, described in terms that are clear, not misleading and not subject to varying interpretations
- reference to the expected form and content of the agreed-upon procedures report.

If the agreed-upon procedures are modified during the course of the engagement, the amended terms of engagement shall also be agreed.

If the modifications due to the revised standard affect an ongoing or recurring agreed-upon procedures engagement, the practitioner shall evaluate whether circumstances require the terms of the engagement to be revised.

There may also be a case where it is necessary for some party other than the engaging party to acknowledge the purpose of the engagement.

Examples of the subject matter:

The subject matter may be financial or non-financial information. Examples of subject matters include:

- financial accounting, expenditure claimed from a funding program,
- revenues for determining membership fees, royalties, rent or franchise fees based on a percentage of revenues,
- the company's financing agreements,
- performance assessment indicators in the remuneration policy,
- capital adequacy ratios for regulatory authorities

But there may also be subject matters that are non-financial information:

- number of passengers reported by an airline,
- volume of greenhouse gas emissions reported to a regulatory 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

Performing the agreed-upon procedures

Remember that the practitioner performs only the agreed-upon procedures. The practitioner may decide to request written representations. If the agreed-upon procedures involve inquiries, the practitioner may request written representations on the responses that have been provided verbally. Therefore, the practitioner is not obliged to request written representations if this procedure is not included in the engagement but may request them if there are procedures that require verbal information or inquiries.

The management representation letter used for statutory audits can in no way be applied unchanged to agreed-upon procedures engagements. The requirements of Standard 580 apply to management representation letters because it ensures that the letter is appropriate to the purpose and nature of the audit. The purpose and nature of AUP engagements, as describes above, are substantially different.

There may be cases where the practitioner may need to engage the services of an expert in performing the procedures. The requirements for the expert are similar to those for audit engagements.

Using the work of a practitioner's expert:

1. The nature, timing and extent of the procedures shall be agreed with the expert.
2. It shall be checked if the nature, timing and extent of the procedures performed are in line with what has been agreed.
3. It shall be checked if the expert's findings describe accurately the procedures performed. Accordingly, the expert's report shall state what procedures the expert has performed and what findings the expert has made on the basis of the procedures performed.

The agreed-upon procedures report

The standard specifies the form and content elements that the agreed-upon procedures report shall contain. The agreed-upon procedures report shall be in writing.

The agreed-upon procedures report reflects all the requirements in ISRS 4400 (revised) that the auditor either shall or may apply. The auditor shall also prepare engagement documentation to support the assertions in the agreed-upon procedures report. This documentation includes the evidence that supports the agreed-upon procedures report.

Content of the agreed-upon procedures report:

- the purpose of the agreed-upon procedures report,
- the responsibilities of the engaging party and the responsible party,
- the responsibilities of the practitioner
 - professional, ethical and quality control responsibilities
- the procedures performed and the findings.

The users of the agreed-upon procedures report are very specific, and it is therefore appropriate for the auditor to limit the use of the agreed-upon procedures report to those persons. It may be misleading if other users draw inappropriate conclusions from the agreed-upon procedures report. On the basis of the auditor's findings, the users of the agreed-upon procedures report are in a position to decide. The procedures to be performed will be determined accordingly.

The standard also includes illustrative examples to show what the agreed-upon procedures report should contain.

The practitioner does not have to request written representations only if that procedure is part of the engagement.

The Board of Trustees of Prosperous Foundation ('Foundation') has decided to reward certain key individuals based on specific performance indicators. A remuneration system was developed and adopted in a Remuneration Policy. The Board of Trustees would like to be sure that the performance indicators have been calculated correctly and that the underlying data as at 31 December 202X are consistent with the data in the Foundation's accounts, given that these data are provided to them by the interested parties. Accordingly, the auditor is engaged to perform the following procedures.

Procedures for the review of the performance indicators calculated on the basis of unaudited data as at 31 December 202X for the key individuals specified in the Remuneration Policy of Prosperous Foundation:

- Reconcile the balance sheet items on which the calculation of core capital is based to the unaudited general ledger of the Foundation as at 31 December 202X.
- Reconcile the outstanding liabilities, which is the basis for the calculation of the risk associated with third-party guarantee underlying the calculation of capital adequacy ratio, to the value shown in the Foundation's unaudited general ledger as at 31 December 202X.
- Reconcile the value of FX exposure underlying the market risk to the value of the unaudited general ledger as at 31 December 202X.
- Examine whether the capital adequacy ratio is calculated in accordance with the methodology set out in the Foundation's revised Internal Capital Adequacy Assessment Process Policy.
- Check the mathematical correctness of the calculation.

Accepting the engagement:

In accordance with the quality management policy, it has been concluded that there are no impediments to accepting the engagement and that the engagement team and the practitioner have the appropriate expertise and resources. There is no need for an external expert. The procedures are feasible and appropriate for the purpose.

The following were identified as relevant ethical requirements:

The ethical and independence requirements set out in local legislation or in any other area that auditors are required to take into account in their engagements, such as the rules of the chamber of auditors, and, for matters not covered by these rules, the 'Handbook of the International Code of Ethics for Professional Accountants' (including International Independence Standards) published by the International Ethics Standards Board for Accountants ('IESBA Code').

There are no impediments to the conclusion of an engagement contract.

In the engagement contract, the Foundation acknowledged that the agreed-upon procedures were appropriate for the purpose of the engagement. Also, that the Foundation is responsible for the subject matter of the audit on which the agreed-upon procedures will be performed.

Performing the engagement

Obtaining the data necessary to perform the procedures:

- Remuneration Policy
- the Foundation's revised Internal Capital Adequacy Assessment Process Policy
- performance indicators for key individuals calculated on the basis of unaudited data as at 31 December 202X
- the Foundation's unaudited general ledger as at 31 December 202X
- the Foundation's statement of outstanding liabilities as at 31 December 202X
- statement of the Foundation's FX exposure as at 31 December 202X,
- the calculation of the Foundation's capital adequacy ratio as at 31 December 202X

The data was provided in full by the Foundation's management, so there was no impediment to the performance of the procedures. The results of the procedures were as follows:

| | |
|---|-------|
| Capital adequacy ratio as calculated by the Foundation: | 10.9% |
| Capital adequacy ratio according to our calculation: | 11.1% |
| Difference: | 0.2% |

No other differences were found during the performance of the procedures.

Overview

A review according to the quality control system has been performed, the results of which are:

- All procedures included in the engagement contract have been performed, no new procedures were required, no changes to the procedures were necessary.
- The engagement team complied with the relevant ethical requirements throughout the performance of the engagement.
- No facts or circumstances have arisen during the engagement that would put into question the veracity of the data and information provided by the management.

- The documentation has been completed.
- The practitioner and the engagement partner have performed the reviews in accordance with the requirements of the quality control system.

Agreed-Upon Procedures Report

Based on the relevant ethical requirements in the contract, the procedures performed and the factual findings, the following report is issued:

AGREED-UPON PROCEDURES REPORT

To the Board of Trustees of Prosperous Foundation

Purpose of the Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Prosperous Foundation („Foundation”) in reviewing the performance indicators of the key individuals as specified in the Foundation’s Remuneration Policy calculated on the basis of unaudited data as at 31 December 202X and may not be suitable for another purpose. This report is intended solely for the Board of Trustees of the Foundation and should not be used by, or distributed to, any other parties.

Responsibilities of the Engaging Party

The Foundation has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Foundation 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 the Foundation, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We do not make representations about the adequacy 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 and independence requirements in accordance with the legislation in force in 'Country' and the Rules of the Chamber of Auditors (or any other regulations applicable to the auditor) and, for matters not covered by these rules, the 'Handbook of the International Code of Ethics for Professional Accountants' (including International Independence Standards) published by the International Ethics Standards Board for Accountants ('IESBA Code').

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 the Foundation in the terms of engagement dated DD MONTH 202Y, on reviewing the performance indicators calculated on the basis of unaudited data as at 31 December 202X for the key individuals specified in the Foundation's Remuneration Policy.

Procedures

1. We have reconciled the balance sheet items on which the calculation of core capital is based to the unaudited general ledger of the Foundation as at 31 December 202X.
2. We have reconciled the outstanding liabilities, which is the basis for the calculation of the risk associated with third-party guarantee underlying the calculation of capital adequacy ratio to the value in the Foundation's unaudited general ledger as at 31 December 202X.
3. We have reconciled the value of FX exposure underlying the market risk to the value of the unaudited general ledger as at 31 December 202X.
4. We have examined whether the capital adequacy ratio is calculated in accordance with the methodology set out in the Foundation's revised Internal Capital Adequacy Assessment Process Policy.
5. We have checked the mathematical correctness of the calculation.

Findings

In performing the procedures described in point 5, the following difference was found:

| | |
|---|-------|
| Capital adequacy ratio as calculated by the Foundation: | 10.9% |
| Capital adequacy ratio according to our calculation: | 11.1% |
| Difference: | 0.2% |

No differences were found during the performance of the procedures described in points 1-4.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

NEEDMONEY Ltd. (Company) wishes to sell its accounts receivable from a client (Client). The buyer of the accounts receivable would like to ascertain whether there is a clause in the contracts between the Company and its Client restricting the assignment or pledge of the accounts receivable arising from these contracts. Therefore, the Company's Management requires the auditor to review specific contracts with the Client and to request written confirmations of completeness. The procedures to be performed are as follows:

- Inspect the Company's contracts listed in a separate annex ('Listing') to check whether the contracts contain any section that prevents the Company from pledging or assigning its accounts receivable from XY Ltd.
- Obtain written confirmation from management that the Listing in Annex A is complete and accurate and includes all agreements relevant to the subject matter of the engagement.

Accepting the engagement:

In accordance with the quality management policy, it has been concluded that there are no impediments to accepting the engagements and that the engagement team and the practitioner have the appropriate expertise and resources. There is no need for an external expert. The procedures are feasible and appropriate for the purpose.

The following were identified as relevant ethical requirements:

The ethical and independence requirements set out in local legislation or in any other area that auditors are required to take into account in their engagements, such as the rules of the chamber of auditors, and, for matters not covered by these rules, the 'Handbook of the International Code of Ethics for Professional Accountants' (including International Independence Standards) published by the International Ethics Standards Board for Accountants ('IESBA Code').

There are no impediments to the conclusion of an engagement contract.

In the engagement contract, the Company acknowledged that the agreed-upon procedures were appropriate for the purpose of the engagement. Also, that the Company is responsible for the subject matter of the audit on which the agreed-upon procedures will be performed.

Performing the engagement

Obtaining the data necessary to perform the procedures:

- Contracts in the Listing
- Written confirmation from management that the Listing is complete and accurate and includes all agreements relevant to the subject matter of the engagement.

The contracts and the representation were provided to us in full by the management of the Company, so there was no impediment to the performance of the procedures. The results of the procedures were as follows:

1. In the contracts listed in the Listing, we have not found any section that restricts the assignment or pledge of the Company's accounts receivable from the Client.
2. We received a written confirmation from the management on DD MONTH 202Y that the Listing is complete and accurate and includes all agreements concluded with the Client. They also confirmed that the accounts receivable from the Client are outstanding and have not been assigned to banks, insurers, factoring companies or other financing partners, have not been pledged or otherwise transferred to third parties.

Overview

A review according to the quality control system has been performed, the results of which are:

- All procedures included in the engagement contract have been performed, no new procedures were required, no changes to the procedures were necessary.
- The engagement team complied with the relevant ethical requirements throughout the performance of the engagement.
- No facts or circumstances have arisen during the engagement that would put into question the veracity of the data and information provided by the management.
- The documentation has been completed.
- The practitioner and the engagement partner have performed the reviews in accordance with the requirements of the quality control system.

Agreed-Upon Procedures Report

Based on the relevant ethical requirements in the contract, the procedures performed and the factual findings, the following report is issued:

AGREED-UPON PROCEDURES REPORT

To the Management of NEEDMONEY Ltd.

Purpose of the Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting NEEDMONEY Ltd, („Company”) in reviewing the contracts included in the Listing in Annex A and in obtaining written

confirmations from Management and may not be suitable for another purpose. This report is intended solely for the Management of NEEDMONEY Ltd. and should not be used by, or distributed to, any other parties. This report relates only to specific contracts and does not cover all of the Company's financial information.

Responsibilities of the Engaging Party

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company 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 the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We do not make representations about the adequacy 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 and independence requirements in accordance with the legislation in force in 'Country' and the Rules of the Chamber of Auditors (or any other regulations applicable to the auditor) and, for matters not covered by these rules, the 'Handbook of the International Code of Ethics for Professional Accountants' (including International Independence Standards) published by the International Ethics Standards Board for Accountants ('IESBA Code').

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 the Company in the terms of engagement dated DD MONTH 202Y. Accordingly, the agreed-upon procedures are as follows: we review the contracts included in the Listing in Annex A and obtain written confirmations from Management.

Procedures

1. We have inspected the Company's contracts listed in the annex (Annex A – Listing) to check whether the contracts contain any section that prevents the Company from pledging or assigning its accounts receivable from XY Ltd.
2. We have obtained written confirmations from Management that the Listing in Annex A is complete and accurate and includes all agreements relevant to the subject matter of the engagement.

Findings

1. We have inspected the contracts included in the Listing in Annex A and have not found any restrictions that would restrict the assignment or pledge of accounts receivable.
2. We have obtained written confirmations from managing director XY and chief accountant ZV that the Listing in Annex A completely and accurately contains all the agreements relevant to the subject matter of the engagement. They have also confirmed that the accounts receivable arising from the contracts under review exist and are acknowledged by the Client and have not been assigned to banks, insurers, factoring companies or other financing partners, have not pledged or otherwise transferred to third parties.

[[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

CASE STUDIES

Case study 3

Procedures agreed upon for an engagement on a declaration in relation to a Company's grant agreement:

- Reconcile the revenue for 202X reported in the Declaration to the net sales balance reported in the Company's audited annual financial statements for 202X.
- Reconcile the revenue of the "subject of the agreement" for the year 202X reported in the Declaration to the Company's separate accounting records as at 31 December 202X.

CASE STUDIES

Case study 4

(Non-financial information)

Checking the packaging of products to ensure that the Report contains true data on the weight of packaging materials sold.

- Reconcile the data from the IT systems with the Company's calculation and the report produced.
- Measure the weight of a type-packaging material.
- Using a random sampling of 100 items, check the correctness of the IT lists by inspecting invoice tests and delivery notes.

For further information contact:



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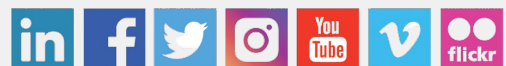
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