



### Standards on Related Services (non-assurance engagements)

- SRS 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information
- SRS 4410 Compilation Engagements

Not all engagements performed by practitioners are assurance engagements.

Other frequently performed engg. that don't meet definition of assurance engg. include:-

- Preparation of tax returns where no conclusion conveying assurance is expressed.
- Consulting (or advisory) engg. such as mgt & tax consulting.
- Engg. covered by Standards for Related Services, such as agreed-upon procedures engg. & compilations of financial or other info.

What are Agreed-upon Procedures?

Auditor is engaged to issue a report of factual findings, based on

- ☞ specified procedures performed
- ☞ on specified subject matter
- ☞ of specified elements, accounts or items of a F.S.

For eg, engg. to perform agreed-upon procedures may require auditor to perform certain procedures on individual items of financial data, say, a/c payable, a/c receivable, purchases from related parties & sales and profits of a segment of entity, or a F.S, say, a B.S. or even a complete set of FS.

However, person performing related services need not necessarily be auditor of entity's FS.

### SRS 4400 Engg. to Perform Agreed Upon Procedure regarding Financial Information

#### Objective

- Auditor to carry out procedures of audit nature to which auditor & entity & any appropriate 3<sup>rd</sup> parties have agreed & report on factual findings.
- As auditor simply provides a report of factual findings of agreed upon procedures, no assurance is provided by him.
- Instead, users of report assess themselves procedures & findings reported by auditor & draw their own conclusions from work done by auditor.
- Report is usually restricted to those parties that have agreed to procedures to be performed since others, unaware of reasons for procedures, may misinterpret the results.

Summary: No assurance is provided in such a report. These are non-assurance engg.



### Audit Vs. Agreed-upon Procedures

- Key b/w between audit & agreed-upon procedures **relates to assurance.**
- Audit expresses an opinion & provides assurance to users. However, in agreed-procedures engg, only **report of factual findings** is provided. ~~No assurance~~ is given to users.
- Instead, users draw their own conclusions based on factual findings stated in report.

For eg, agreed upon procedures engg. to evaluate validity of a/c payable may state the following:

- ✓ Comparing of names of major suppliers & amounts outstanding as on date to related names & amounts in trial balance.
- ✓ Obtaining suppliers statements or confirmations from suppliers to confirm balances o/s on a date  
Comparison of such statements or confirmations to amounts in trial balance
- ✓ Further, actual findings like variation in balances reflected in trial balance & statements or confirmations are given.
- ✓ Actual findings are reported as such without providing an assurance.

Q. Is Auditor required to be <sup>Assurance</sup> ~~independent~~ for such agreed upon Procedures? **No but should comply** with other ethical requirements.   
*Co-Professional*

### Terms of Engagement

Matters to be agreed include the following: -

- Nature of engg.** including the fact that procedures performed will **not constitute an audit or review** & accordingly **no assurance will be expressed.**
- Stated Purpose** for engg.
- Identification of financial info.** to which agreed-upon procedures will be applied.
- Nature, timing and extent** of the specific procedures to be applied.
- Limitations on distribution of report** of factual findings. When such limitation is in conflict with legal requirements, if any, auditor would not ~~accept engg.~~

### Procedures

Procedures applied in an engagement to perform agreed-upon procedures may include:

- Inquiry and analysis
  - Re computation, comparison and other clerical accuracy checks
  - Observation
  - Inspection
  - Obtaining confirmations
- SAS 100*

Reporting

Report of factual findings should contain: -

- a. Title
- b. Addressee (ordinarily, the appointing authority)
- c. Identification of specific financial or non-financial info. to which agreed upon procedures applied
- d. Statement that procedures performed were those agreed-upon with recipient
- e. A statement that engg. was performed as per SRS applicable to agreed-upon procedures engg.
- f. Identification of purpose for which agreed-upon procedures were performed
- g. A listing of specific procedures performed
- h. Description of auditor's factual findings including sufficient details of errors & exceptions found
- i. Statement that procedures performed don't constitute either audit or review and, as such, no assurance is expressed
- j. Statement that had auditor performed additional procedures audit or review, other matters might have come to light that would have been reported
- k. Statement that report is restricted to those parties that have agreed to procedures performed
- l. Statement (when applicable) that report relates only to elements, accounts, items or financial and non-financial info. specified & doesn't extend to entity's F.S as whole
- m. Date of the report
- n. Place of signature and
- o. Auditor's signature

[points

v kaise? + "Item" keya?

A Co. asks you to carry out process of confirmation of its a/c receivables having balances in excess of ₹10 lacs as per its books of a/c at close of year. Work to be performed only involves preparing and sending confirmation requests to such parties, analysis of variations on receipt of confirmations & submission of a report in accordance with professional standards. What points have to be kept in mind for inclusion in report specifically for such engg?

Described engg. is an agreed-upon procedures engg.

Following points have to be kept in mind for being included in the report: -

- Statement that procedures performed were those agreed-upon with recipient
- Statement that engg. was performed as per SRS applicable to agreed-upon procedures engg.
- Identification of purpose for which the agreed-upon procedures were performed
- Listing of specific procedures performed
- Description of auditor's factual findings including sufficient details of errors & exceptions found
- Statement that procedures performed don't constitute either an audit or a review and, as such, no assurance is expressed
- Statement that had auditor performed additional procedures, audit or a review, other matters might have come to light that would have been reported



- Statement that report is restricted to parties that have agreed to procedures to be performed
- Statement that report relates only to elements, accounts, items or financial and non-financial info. specified & doesn't extend to entity's F.S. as whole

### SRS 4410 Compilation Engg.

Deals with practitioner's responsibilities when engaged to assist mgt with preparation & presentation of historical financial info. without obtaining any assurance on that info, & report on engg. as per this SRS.

- It applies to compilation engg. for historical financial info.
- Compilation engg. for financial info. other than historical financial info, and non-financial info. can be performed under this Std after necessary adaptation.
- SQC 1 is applicable to all Engg. Stds.
- Since SRS 4410 is also one of Engg Stds, SQC 1 applies to compilation engg. too.

Remember, compilation engg. isn't assurance engg. → hence no expression of opinion.

### Engg. Acceptance and Continuance

Practitioner shall not accept engg. unless agreed terms of engg. with mgt & engaging party if different, including: -

- a. Intended use & distribution of financial info, & any restrictions on either its use or its distribution where applicable
- b. Identification of applicable FRF
- c. Objective and scope of compilation engg.
- d. Responsibilities of practitioner, including requirement to comply with relevant ethical requirements
- e. Responsibilities of mgt for: -
  - i) Financial info., and preparation & presentation as per an acceptable FRF
  - ii) DIM of IC to enable preparation of F.S. free from M.M., whether due to fraud/error
  - iii) Accuracy & completeness of records, documents, explns and other info. provided by mgt for compilation engg. &
  - iv) Judgments needed in preparation and presentation of financial info., including those for which practitioner may provide assistance in course of compilation engg.
- f. Expected form and content of report.

Practitioner shall record agreed terms of engg. in an engg. letter or other suitable form of written agreement, prior to performing the engg.