



International Standards on Related services

ISRS 4400 and ISRS 4410

Presentation by:

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Agenda



- 1. ISRS 4400 – Engagements to Perform Agreed-Upon Procedures Regarding Financial Information**
- 2. ISRS 4410 – Compilation Engagements**

Overview of IFAC standards



IFAC (IRBA) Code of Ethics and International Standard in Quality Control (ISQC 1)				
International Framework for Assurance Engagements			Related Services	
Audits and Reviews of Historical Financial Information		Assurance Engagements other than Audits or Reviews of Historical Financial Information		
ISA International Standards on Auditing	ISRE International Standards on Review Engagements	ISAE International Standards on Assurance Engagements	ISRS International Standards on Related Services	
Reasonable Assurance	Limited Assurance	Reasonable or Limited Assurance	No Assurance	



ISRS 4400: Engagements to Perform Agreed-Upon Procedures Regarding Financial Information

Objective and Scope



- To carry out procedures of an audit nature agreed between auditor, the entity and any appropriate third parties and to report on factual findings.
- As the auditor provides a report of the factual findings, no assurance is expressed. Users draw their own conclusions.
- The report is restricted to those parties that have agreed to the procedures to be performed.
- This ISRS is directed toward engagements regarding financial information, can also apply to nonfinancial information.

Objective and Scope



The financial information subject to an agreed-upon procedures may include:

- a) An individual item of financial data (e.g. accounts payable);
- b) A financial statement (e.g. a balance sheet);
- c) A complete set of financial statements [ISRS 4400.3] or
- d) Prospective or pro forma financial information can also be subject to an agreed-upon procedures engagement.

Non-financial information may also apply (e.g. procedures relating to internal controls over an entity's payroll system) if auditor has adequate knowledge of the subject matter.

General principles



The auditor should comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code) with respect to Integrity; Objectivity; Professional competence and due care; Confidentiality; Professional behavior; and Technical standards.

Independence is not a requirement for agreed-upon procedures unless terms or objectives of an engagement or national standards may require independence of the auditor.

Matters that should be agreed



- 1) The fact that the engagement will be conducted in accordance ISRS 4400.
- 2) 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.
- 3) Stated purpose for the engagement.
- 4) Identification of the financial information to which the agreed-upon procedures will be applied.
- 5) Nature, timing and extent of the specific procedures to be applied.

Matters that should be agreed



- 6) Anticipated form of the report of factual findings.
- 7) Limitations on distribution of the report of factual findings.
When such limitation would be in conflict with the legal requirements, if any, the auditor would not accept the engagement.

Contracting



- ❑ Engagement under ISRS 4400 are subject to the International Standard on Quality Control (ISQC) 1 and IESBA Code
- ❑ This includes, among other matters, engagement acceptance and continuance considerations and a requirement to consider the need for an EQCR.
- ❑ Before accepting the engagement, clarify the purpose of the client's request, the form and content of our report and the intended use of our report.
- ❑ Ensure the client understands that we are not providing assurance and that they are responsible for the sufficiency and appropriateness of the procedures.

Engagement letter



Matters that would be included in the engagement letter include the following:

- 1) A listing 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.

Procedures and evidence



The auditor should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings.

Common procedures include:

- ☐ Inquiry and analysis.
- ☐ Re-computation and comparisons.
- ☐ Observation.
- ☐ Inspection.
- ☐ Obtaining confirmations.

Procedures and evidence



Because of the nature of our reporting, it is important that the agreed-upon procedures are:

- a) Specific and not subjective in nature, such that they are not open to various interpretations or do not create uncertainty as to what the procedures entail;
- b) Concise in respect of the nature, timing and extent of the procedures; and;
- c) Designed to report on factual findings and do not suggest that they are designed to provide assurance.

Appropriateness of Procedures



Factors to consider when assessing the appropriateness of an agreed-upon procedures engagement include:

- a) The nature of the engagement and of the information to which the procedures are to be applied;
- b) The nature of evidence that may be available;
- c) Whether the client expects conclusions or opinions to be expressed in the report; and
- d) The specified users of the report and whether it is reasonable to assume that they will be able to understand the nature of the report we will provide.

Appropriateness of Procedures



Agreed-upon procedures engagements are not appropriate under the following circumstances:

- a) The nature of the engagement requires judgement; or
- b) The client expects that we will express a conclusion or opinion on the information to which the procedures are to be applied.

Assess whether the engagement team, including any specialists, has the necessary competence and capabilities to perform the engagement.

Appropriate language on Procedures



Appropriate language	Inappropriate language
Compare (amounts)	Review
Confirm (obtain confirmation)	Analyze
Inspect...	Ascertain
Observe...	Assess reasonableness
Recalculate	Check
	Determine
	Discuss
	Ensure
	Examine
	Evaluate

Materiality and sampling



Materiality - The concept of materiality (which is judgmental) does not apply to agreed-upon procedures engagements. The client may determine an agreed threshold for reporting findings.

Representation letter - With regard to a representation letter, ISRS 4400 is silent and states no requirements. However, we may find a representation letter to be useful.

Sampling - It may be appropriate to use sampling techniques in order to apply our procedures, in that case, the procedures in the engagement letter should include sampling.

Reporting



The report on an agreed-upon procedures engagement needs to describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.

The report should contain

- a) Title;
- b) Addressee(s);
- c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- d) A statement that the procedures performed were those agreed upon with the recipient;
- e) A statement that the engagement was performed in accordance with the ISRS 4400;

Reporting



The report should contain - continued

- f) When relevant a statement that the auditor is not independent of the entity;
- g) Identification of the purpose for which the agreed-upon procedures were performed;
- h) A listing of the specific procedures performed;
- i) A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- j) Statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed;

Reporting



The report should contain - continued

- k) A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;
- l) A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- m) A statement that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole;
- n) Date of the report;
- o) Auditor's address; and
- p) Auditor's signature.

Templates - Appendix to the standard



Adobe Acrobat
Document

Questions?



ISRS 4410 – Compilation Engagements

Objective and Scope



- ❑ To provide guidance on the accountant's professional responsibilities when an engagement to compile financial information is undertaken and the form and content of the report the accountant issues in connection with such a compilation.
- ❑ This ISRS is directed toward the compilation of financial information. However, it is to be applied to the extent practicable to engagements to compile non-financial information.

Scope



- ❑ To provide guidance on the accountant's professional responsibilities when an engagement to compile financial information is undertaken and the form and content of the report the accountant issues in connection with such a compilation.
- ❑ A compilation engagement would ordinarily include the preparation of complete or summary financial statements. It may also include the collection, classification and summarization of other financial information.
- ❑ It uses accounting expertise, as opposed to auditing expertise

General principles



The auditor should comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code) with respect to:

Integrity	Confidentiality
Objectivity	Professional behaviour
Professional competence and due care	Technical standards

Independence is not a requirement, However, where the accountant is not independent, a statement to that effect would be made in the accountant's report.

Defining the Terms of the Engagement



- ☐ Nature of the engagement including the fact that neither an audit nor a review will be carried out and that accordingly no assurance will be expressed.
- ☐ Fact that the engagement cannot be relied upon to disclose errors
- ☐ Nature of the information to be supplied by the client.
- ☐ Fact that management is responsible for the accuracy and completeness of the information supplied
- ☐ Intended use and distribution of the information, once compiled.

Documentation



- ❑ The accountant should document matters which are important in providing evidence that the engagement was carried out in accordance with this ISRS and the terms of the engagement.
- ❑ ISA 230 requirements apply on documentation

Procedures



- ☐ Obtain a general knowledge of the business and operations of the entity and should be familiar with the accounting principles and practices of the industry in which the entity operates.
- ☐ Other than as noted in this ISRS, the accountant is not ordinarily required to:
 - ☐ Make any inquiries of management on reliability and completeness of the information provided;
 - ☐ Assess internal controls;
 - ☐ Verify any matters; or
 - ☐ Verify any explanations.

Procedures



☐ Identify misstatements:

- ☐ Mistakes in the application of the applicable financial reporting framework.
- ☐ Non-disclosure of the financial reporting framework and any known departures therefrom.
- ☐ Non-disclosure of any other significant matters of which the accountant has become aware.

Reporting



Reports on compilation engagements should contain the following:

- a) Title;
- b) Addressee(s);
- c) A statement that the engagement was performed in accordance with the ISRS 4400;
- d) When relevant, a statement that the accountant is not independent of the entity;
- e) Identification of the financial information noting that it is based on information provided by management;
- f) A statement that management is responsible for the financial information compiled by the accountant;

Reporting – Cont'd



Reports on compilation engagements should contain the following:

- g) A statement that neither an audit nor a review has been carried out and that accordingly no assurance is expressed on the financial information;
- h) A paragraph, when considered necessary, drawing attention to the disclosure of material departures from the applicable financial reporting framework;
- i) Date of the report;
- j) Accountant's address; and
- k) Accountant's signature.

Illustrative report -A



COMPILATION REPORT TO

We have compiled, the accompanying financial statements of ABC Limited base on information you have provided. These financial statements comprise the statements of financial position of ABC Limited as at 31 December 2019, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Illustrative report –A Cont'd



COMPILATION REPORT TO

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (revised), *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the reparation and presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of information used to compile them are your responsibility.

Illustrative report -A



COMPILATION REPORT TO

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the financial information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with IFRSs.

Signature

Date

Address

Questions?

