

Frequently Asked Questions

CANADIAN STANDARD ON RELATED SERVICES (CSRS) 4400, *AGREED-UPON PROCEDURES ENGAGEMENTS*

MARCH 2021

Considerations in Accepting, Conducting and Reporting on an Agreed-Upon Procedures Engagement

As the need for accountability around funding and other support increases, the demand for agreed-upon procedures engagements continues to grow. CSRS 4400, *Agreed-upon Procedures Engagements*, was developed to respond to the evolving needs of stakeholders for agreed-upon procedures engagements on both financial and non-financial subject matters. CSRS 4400 replaces Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*, and Section 9110, *Agreed-Upon Procedures Regarding Internal Control over Financial Reporting*. Appendix 1 provides some examples of financial and non-financial subject matters on which you, as a practitioner, may perform an agreed-upon procedures engagement.

Effective Date

CSRS 4400 is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022; however, you may choose to apply this standard earlier. As the effective date is based on when the terms of engagement are agreed, there could be a delay in implementing CSRS 4400 for multi-year engagements (for example, if it is just before the CSRS 4400 effective date when the practitioner enters into a five-year agreement to perform agreed-upon procedures engagements). For terms of engagement covering multiple years, you may wish to update those terms so that, as of the effective date, you will be conducting the agreed-upon procedures engagements in accordance with the revised standard.

Important Considerations in Using This FAQ

This list of *Frequently Asked Questions (FAQ)* is intended to assist you in implementing CSRS 4400. It does not replace the need to read the entire CSRS 4400, including the application and other explanatory material. This *FAQ* focuses on matters most likely to need clarification and is not all-encompassing. Additional or different considerations may apply depending on the circumstances of the engagement. This *FAQ* is also intended to be used in conjunction with other non-authoritative material such as:

- [Agreed-upon Procedures Engagements: Practitioner Alert](#)
- [BASIS FOR CONCLUSIONS CANADIAN STANDARD ON RELATED SERVICES \(CSRS\) 4400, Agreed-Upon Procedures Engagements](#)

Form and Content of This FAQ

This *FAQ* sets out areas to consider as a practitioner when accepting, conducting and reporting on an agreed-upon procedures engagement. While these considerations are set out linearly for clear presentation, it is important to note that the process of agreeing to the terms of engagement, performing the agreed-upon procedures and preparing the agreed-upon procedures report is often an iterative one. In response to new information coming to light, changes to the agreed-upon procedures may be agreed as the engagement progresses. Accordingly, areas to consider in one stage of the engagement described in this *FAQ* may also apply in other stages.

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Considerations in Accepting the Engagement

Q1. I received a request that may be addressed by either an agreed-upon procedures engagement or an assurance engagement. What are the differences between an agreed-upon procedures engagement and an assurance engagement?

An agreed-upon procedures engagement is not an assurance engagement. In an agreed-upon procedures engagement, the practitioner performs the procedures that they have agreed upon with the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement. The practitioner then communicates, via the agreed-upon procedures report, the procedures performed and related findings. The engaging party and other intended users consider for themselves the agreed-upon procedures and findings, including the exceptions¹ the practitioner has reported, and draw their own conclusions from this work.

By contrast, in an assurance engagement, the practitioner designs and performs procedures to obtain sufficient appropriate evidence based on their consideration of materiality and risk of material misstatement. The intent in this case is to express a conclusion or opinion designed to enhance the degree of confidence the intended users will have in the subject matter.

See Appendix 2 for some of the key differences between an agreed-upon procedures engagement and an assurance engagement.

Q2. Do I need to be independent to perform an agreed-upon procedures engagement?

In your practice of public accounting, when performing an agreed-upon procedures engagement you are required to comply with relevant ethical requirements set out in the applicable rules of professional conduct and/or code of ethics issued by the various professional accounting bodies. These rules require practitioners to comply with fundamental principles, including objectivity. Accordingly, relevant ethical requirements would, at a minimum, require you to be objective when performing an agreed-upon procedures engagement.

CSRS 4400 does not include a precondition for the practitioner to be independent. However, laws or regulations, other professional requirements, or conditions of a contract, program or arrangement may set out independence requirements with which you need to comply. If there are no such independence requirements, your knowledge of certain matters may nonetheless indicate that it may be appropriate to discuss with the engaging party whether you need to comply with certain identified independence requirements for the purpose of the agreed-upon procedures engagement. For example, if a practitioner performing the agreed-upon procedures engagement is also the auditor of the engaging party's financial statements, intended users of the agreed-upon procedures report may assume that the practitioner is independent for the purpose of the agreed-upon procedures engagement. Therefore, you may agree with the engaging party that you will comply with the independence requirements that apply to audits of financial statements for the purpose of the agreed-upon procedures engagement.

¹ See Q9 for a discussion on exceptions.

CSRS 4400 contains requirements that differ depending on whether the practitioner is required to comply with independence requirements. The requirements around when you need to comply with independence requirements apply regardless of whether you:

- are required to comply with independence requirements set out in relevant ethical requirements, laws or regulations, other professional requirements, conditions of a contract or program, or other reasons; or
- have agreed with the engaging party, in the terms of engagement, to comply with independence requirements even though you may have initially determined that you are not required by relevant ethical requirements, law or regulation, conditions of a contract or program, or other reasons to comply with independence requirements.

Appendix 3 presents a decision tree illustrating what the practitioner should consider in terms of independence when accepting the agreed-upon procedures engagement, and the related requirements and references to application material paragraphs. The process to be followed will be based on whether the practitioner is required to comply with independence requirements.

The rules of professional conduct / code of ethics that apply to public accounting that are issued by the various professional accounting bodies (the CPA Codes) require that you be independent when performing a specified auditing procedures engagement as in extant Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*. CSRS 4400 has a broader scope than extant Section 9100 as it deals with both financial and non-financial subject matters. At the time of writing this FAQ, none of the CPA Codes address whether a practitioner is required to be independent when performing an agreed-upon procedures engagement under CSRS 4400.²

If you are not clear whether the independence requirements set out in the relevant CPA Code apply, you may wish to discuss with the engaging party whether it is appropriate that you comply with those requirements for the purpose of your agreed-upon procedures engagement.

Q3. How is professional judgment exercised at the engagement acceptance stage?

At the engagement acceptance stage, you may exercise professional judgment in areas such as:

- discussing and agreeing with the engaging party (and if relevant, other parties) the nature, timing and extent of the procedures you will perform (taking into account the purpose of the engagement)
- determining whether the engagement has met the engagement acceptance and continuance conditions
- determining the resources needed to carry out the procedures as agreed in the terms of the engagement, including the need to involve a practitioner's expert

² This FAQ will be updated once the provincial CPA Codes with respect to agreed-upon procedures engagements have been clarified.

- determining appropriate actions if you become aware of facts or circumstances suggesting that the procedures you are being asked to agree to perform are inappropriate for the purpose of the agreed-upon procedures engagement.

Q4. CSRS 4400 requires the terms of engagement to include, among other things, the purpose of the engagement and the intended users of the agreed-upon procedures report. What if the engaging party is unable to identify the specific individual(s) or organization(s) that will use the report?

You can comply with this requirement if the terms of engagement include the purpose of the engagement and the class of intended users. For example, the terms of engagement may specify that the agreed-upon procedures report is to be provided to suppliers to inform them of the security measures over consignment inventory without identifying the specific individual(s) or organization(s) who will use the report.

Knowledge of the purpose of the engagement and the intended users (or class of intended users) assists you in determining whether to accept or continue an agreed-upon procedures engagement (e.g., if you are aware of any facts or circumstances indicating that the procedures you are being asked to perform are inappropriate for the purpose of the engagement, you should not accept or continue the engagement).

Q5. Can I use an expert to assist in the design of procedures to be agreed upon with the engaging party?

Yes. For example, at the engagement acceptance stage, a practitioner's expert may assist you by advising, through discussions with you and the engaging party, on the procedures that you can perform (e.g., a lawyer may provide suggestions to you and the engaging party on how to design a procedure so that it addresses legal aspects of a contract). While a practitioner's expert may assist in the design of procedures to be performed, as indicated in Q1, it is still you and the engaging party who will agree on them. Please see Q7 on your responsibilities if using the work of a practitioner's expert.

Considerations in Conducting the Engagement

Q6. How is professional judgment exercised in conducting the engagement?

In conducting the agreed-upon procedures engagement, the need for the practitioner to exercise professional judgment when performing the agreed-upon procedures is limited. Reasons for these limitations include the following:

- An agreed-upon procedures engagement involves performing procedures that have been agreed on by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement.

- The agreed-upon procedures and the findings that result from performing those procedures are capable of being described objectively, in terms that are clear, not misleading and not subject to varying interpretations.
- The findings are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results.

Scenarios in which you may exercise professional judgment to determine appropriate actions or responses when performing the agreed-upon procedures include those where you become aware of:

- matters that may indicate fraud or an instance of actual or suspected non-compliance with laws or regulations
- other matters that cast doubt on the integrity of the information relevant to the agreed-upon procedures engagement or that indicate that the information may be misleading
- procedures that cannot be performed as agreed

Q7. Can I use an expert to assist in performing agreed-upon procedures?

Yes. An expert may assist you in performing one or more of the agreed-upon procedures (e.g., a chemist may perform one of the agreed-upon procedures such as determining the toxin levels in a sample of grains).

If the work of an expert is used, all of the following apply:

- The engagement partner is required to be satisfied that the practitioner will be able to be involved in the work of the practitioner's expert to an extent that is sufficient to take responsibility for the findings included in the agreed-upon procedures report.
- The practitioner is required to:
 - evaluate the competence, capabilities and objectivity of the practitioner's expert
 - agree with the practitioner's expert on the nature, scope and objectives of that expert's work
 - determine whether the nature, timing and extent of the work the practitioner's expert has performed is consistent with the work agreed with the expert
 - determine whether the findings adequately describe the results of the work performed taking into account the work performed by the practitioner's expert

Note: It may be appropriate to perform some of the above procedures at the engagement acceptance stage.

Q8. Is a representation letter required for an agreed-upon procedures engagement?

CSRS 4400 requires that you consider whether to request written representations. For example, you may decide to request written representations in circumstances such as:

- If the agreed-upon procedures involve inquiries, you may request written representations on the responses that have been provided verbally.
- If the engaging party is not the responsible party, you may agree with the engaging party to include, as an agreed-upon procedure, requests for written representations from the responsible party.

Q9. What are findings (and exceptions) in an agreed-upon procedures engagement?

Findings are the factual results of agreed-upon procedures performed. They are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results. Findings exclude the expression of an opinion or a conclusion as well as any recommendations that the practitioner may make. As discussed in paragraph A13 of CSRS 4400, you may use the term “factual findings” in place of “findings.”

Findings from agreed-upon procedures may include **exceptions**. For example, an agreed-upon procedure may involve agreeing an amount in one document to the corresponding amount in another document. An exception arises if the amounts in the two documents do not agree. In other circumstances, findings from agreed-upon procedures may not give rise to exceptions. For example, an agreed-upon procedure may involve simply reporting the amount found on a document. CSRS 4400 requires the agreed-upon procedures report to include the findings from each procedure performed including, if applicable, details on exceptions found.

Considerations in Reporting**Q10. CSRS 4400 requires that the agreed-upon procedures and findings be capable of being described objectively and in terms that are clear, not misleading and not subject to varying interpretations. How should the agreed-upon procedures and findings be described in the agreed-upon procedures report to meet this requirement?**

To meet this requirement, the agreed-upon procedures are described at a level of specificity that is sufficient for an intended user to understand the nature and extent (and if applicable, the timing) of the procedures performed. As explained above in Q9, the findings reflect the factual results of the agreed-upon procedures performed, and they are able to be objectively verified. This means that different practitioners performing the same procedures are expected to arrive at equivalent results. See Appendix 4 for examples of appropriate and inappropriate terminology in an agreed-upon procedures report.

Q11. What can I do if law or regulation specifies a procedure using terms that, in my view, are unclear, misleading or subject to varying interpretations?

In such cases, you may consider requesting that the engaging party modify the procedure or the description of the procedure so that it is no longer unclear, misleading or subject to varying interpretations. If the description cannot be amended (for example, if law or regulation prohibits any changes to the wording), you may consider defining the relevant terms within the agreed-upon procedures report.

Q12. Due to the large number of procedures performed, the section describing the procedures and findings in the agreed-upon procedures report is lengthy. Can I provide a summary of the findings in addition to the full description of findings from each procedure performed?

Yes. You may provide a summary of findings in the agreed-upon procedures report, for example, one which highlights the exceptions found.³ However, if you provide a summary of findings in addition to the full description of them, **it is required that you write the summary of findings in a manner that is objective, using terms that are clear, not misleading and not subject to varying interpretations.** Further, the agreed-upon procedures report must include a statement indicating that reading the summary is not a substitute for reading the complete report.

Q13. I have been asked to perform agreed-upon procedures on the engaging party's use of funds in trust accounts and to provide a conclusion on the engaging party's compliance with regulations pertaining to the use of funds in trust accounts. How do I report on such an engagement?

This is an example of a “multi-scope engagement” consisting of an agreed-upon procedures engagement on the use of funds in trust accounts and a separate assurance engagement on compliance with regulations. To avoid misunderstanding and confusion between the two engagements, the agreed-upon procedures report must be clearly distinguished from the assurance report. For example, you may provide the assurance report in a separate document from the agreed-upon procedures report, or you may prepare a document that contains both the agreed-upon procedures report and the assurance report. If combining both reports in one document, ensure that you clearly differentiate the assurance report from the agreed-upon procedures report, for example, by including the agreed-upon procedures report and the assurance report in separate sections of the document.

³ See Q9 for a discussion on exceptions.

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Feedback

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Appendix 1 – Examples of Financial and Non-Financial Subject Matters on Which an Agreed-Upon Procedures Engagement May be Performed

Examples of financial and non-financial subject matters on which an agreed-upon procedures engagement may be performed include:

- Financial subject matters relating to:
 - the entity’s financial statements or specific classes of transactions, account balances or disclosures within the financial statements
 - eligibility of expenditures claimed from a funding program
 - revenues for determining royalties, rent or franchise fees based on a percentage of revenues
 - capital adequacy ratios for regulatory authorities
 - use of funds in a trust account
- Non-financial subject matters relating to:
 - numbers of passengers reported to a civil aviation authority
 - student registrations reported to government
 - observed destruction of fake or defective goods that has been reported to a regulatory authority
 - data generating processes for lottery draws that have been reported to a regulatory authority
 - internal controls over financial reporting that have been reported to a regulatory authority
 - volume of greenhouse gas emissions that has been reported to a regulatory authority
 - amount of goods imported or exported under a trade agreement

The above list is not exhaustive. Additional types of subject matters may arise as external reporting demands evolve.

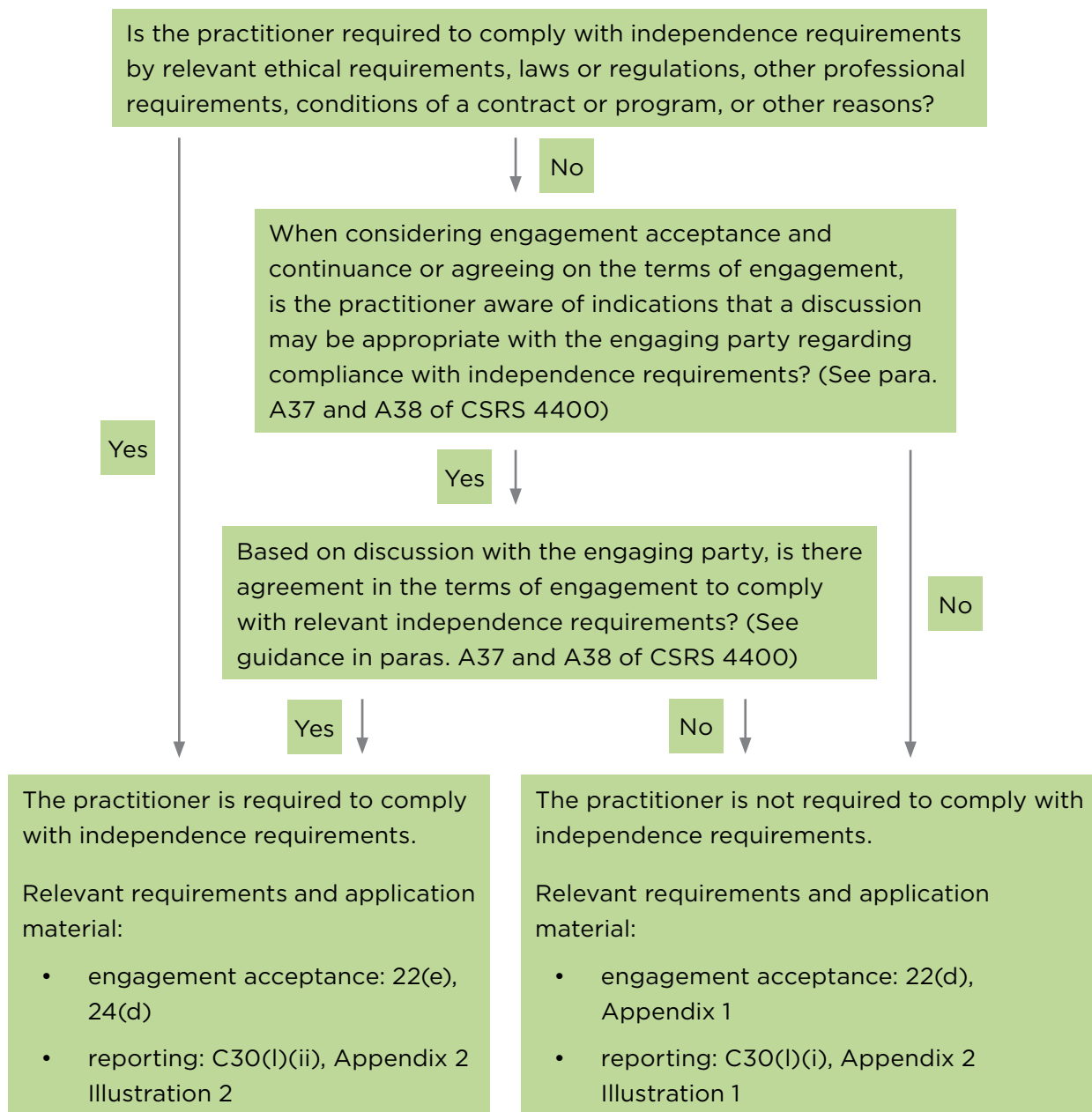
Appendix 2 – Key Differences Between an Agreed-Upon Procedures Engagement and an Assurance Engagement

Engagement area	Agreed-upon procedures engagement	Assurance engagement
<p>Practitioner’s objectives</p>	<p>The practitioner’s objectives are to:</p> <ul style="list-style-type: none"> • Agree with the engaging party, the procedures to be performed. • Perform the agreed-upon procedures. • Communicate the procedures performed and the related findings, including exceptions when applicable. 	<p>The practitioner’s objectives are to:</p> <ul style="list-style-type: none"> • Obtain either reasonable or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement. • Express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report that conveys either a reasonable assurance or limited assurance conclusion and describes the basis for the conclusion. • Communicate further as required.
<p>Responsibility for the nature, timing and extent of procedures</p>	<p>The practitioner agrees with the engaging party on the nature, timing and extent of the procedures to be performed. The engaging party is responsible for acknowledging that the agreed-upon procedures are appropriate for the purpose of the engagement.</p>	<p>The practitioner is responsible for designing and performing procedures for the purpose of obtaining sufficient appropriate evidence.</p>

Engagement area	Agreed-upon procedures engagement	Assurance engagement
<p>Professional judgment in accepting, conducting, and reporting stages of the engagement</p>	<p>The practitioner is required to exercise professional judgment in accepting, conducting, and reporting on an agreed-upon procedures engagement. In the context of selecting the procedures to be performed, professional judgment is exercised in discussing and agreeing with the engaging party (and if relevant, other parties) the nature, timing and extent of the procedures to be performed (taking into account the purpose of the engagement). However, the need to exercise professional judgment when performing the agreed-upon procedures is limited. (See Q3 and Q6 for further details on the exercise of professional judgment).</p>	<p>The practitioner is required to exercise professional judgment in planning and performing an assurance engagement, including determining the nature, timing and extent of planned procedures that are required to be carried out to achieve their objective.</p>
<p>Appropriateness of the evidence</p>	<p>The engaging party and other intended users draw their own conclusions from the work the practitioner has performed.</p>	<p>The practitioner evaluates the sufficiency and appropriateness of the evidence obtained to reduce engagement risk to an acceptable level for a limited assurance engagement (or an acceptably low level for a reasonable assurance engagement) as a basis for expressing a conclusion (or an opinion).</p>

Engagement area	Agreed-upon procedures engagement	Assurance engagement
Reporting	The agreed-upon procedures report should include a description of the agreed-upon procedures performed and the findings from each procedure performed. Findings are the factual results of the agreed-upon procedures performed. Findings are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results. Findings exclude the expression of an opinion or a conclusion as well as any recommendations that the practitioner may make.	The assurance engagement report includes a summary of the work performed as a basis for the practitioner's opinion or conclusion that expresses the assurance obtained.

Appendix 3 – Practitioner’s Independence Considerations¹



¹ At the time of publishing this document, work related to clarifying independence considerations is ongoing. Practitioners should monitor updates from their respective provincial bodies.

Appendix 4 – Examples of Appropriate and Inappropriate Terminology

Descriptions of Agreed-Upon Procedures

Agreed-upon procedures are required to be described objectively, in terms that are clear, not misleading and not subject to varying interpretations. It is important to recognize that any term could potentially be used in an unclear or misleading manner, depending on context or the absence thereof. **Assuming that the terms are appropriate in the context in which they are used**, examples of words that may be acceptable to describe actions you have performed include:

- confirm
- compare
- agree
- trace
- inspect
- inquire
- recalculate
- observe

Terms that may be unclear, misleading, or subject to varying interpretations **depending on the context in which they are used** may include imprecise descriptions of procedures such as:

- discuss
- evaluate
- test
- analyze
- examine
- ensure

However, these terms may be appropriate if they describe in a sufficiently specific manner the nature and extent and, if applicable, the timing of the procedures.

The following are examples of how select terms from the above list may be used in an appropriate or inappropriate manner.

Term	Examples of terms used in an appropriate manner 😊	Examples of terms used in an inappropriate manner 😞
Confirm	Confirm that the sum of specified amounts in document X agrees to the total recorded amount in document Y.	Confirm that the expenditures are reasonable and justified.
Inspect	Inspect inventory items 25 to 109 for items that have an expiry date on or before December 5, 2020.	Inspect inventories for damages.
Inquire	Inquire as to whether the company's policies and procedures for approving travel expenses have changed from the prior year.	Inquire of management about any changes from the prior year.
Test	Test expense reports received from January 1, 2020 to March 31, 2020 for approval by CFO.	Test the effectiveness of controls over expense reports.

Descriptions of findings

Terms that may be unclear, misleading, or subject to varying interpretations depending on the context in which they are used may include, for example:

- terms that are associated with assurance in CPA Canada Handbook - Assurance, such as “present fairly” or “true and fair,” “audit,” “review,” “assurance,” “opinion” or “conclusion”
- terms that imply the expression of an assurance opinion or conclusion, such as “we certify,” “we verify,” “we have ascertained,” “we have concluded” or “we have ensured” with regard to the findings
- unclear or vague phrases such as “we obtained all the explanations and performed such procedures as we considered necessary”
- terms that are subject to varying interpretations, such as “material” or “significant”
- terms that suggest that the findings do not reflect factual results, such as “in our view,” “from our perspective” or “we take the position that”

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