

9.1 - SRS 4400 “Engagements to perform Agreed Upon Procedures”

Scope of Engagement: In engagement to perform agreed-upon procedures, auditor is engaged by client to issue report of factual findings, based on specified procedures performed on specified subject matter of specified elements, accounts or items of a F.S.

Objective of Engagement: To carry out procedure of audit nature, to which auditor, entity & any appropriate third parties have agreed & to report on factual finding thereon.

General Principles of Engagement

Comply with Code of Ethics issued by ICAI. Ethical Principles are:

- (i) Integrity;
- (ii) Objectivity
- (iii) Professional competence & due care;
- (iv) Confidentiality;
- (v) Professional conduct; and
- (vi) Technical standard

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

Defining Terms of Engagement

There should be a clear understanding among auditor, client & other specified parties. Terms to be agreed include:

- (a) Nature of engagement
- (b) Purpose
- (c) Identification of financial information
- (d) NTE of specific procedures
- (e) Limitation on distribution of report of factual findings. If limitation are in conflict with legal requirements, auditor would not accept the engagement.



Procedures & Evidence

- Auditors should carry out necessary procedures and use the evidence obtained as basis for report of factual findings.
- Procedures applied in engagement to perform agreed-upon procedures may include:
 - (i) Inquiry and analysis
 - (ii) Re computation, comparison and other clerical accuracy checks
 - (iii) Observation
 - (iv) Inspection
 - (v) Obtaining confirmations

Reporting

Report of factual findings should contain:

- (a) Title;
- (b) Addressee
- (c) Identification of specific financial or not-financial information to which agreed-upon procedures have been applied
- (d) A statement that procedures performed were those agreed-upon with recipient.
- (e) A statement that engagement was performed in accordance with this standard & terms of engagement.
- (f) Identification of purpose.
- (g) A listing of specific procedures performed
- (h) A description of auditor’s factual findings including sufficient details of errors and exceptions found
- (i) A statement that procedures performed do not constitute either an audit or a review & as such, no assurance is expressed.
- (j) A statement that report is restricted to those parties that have agreed to procedures to be performed.
- (k) A statement (when applicable) that report relates only to elements specified & that it does not extend to entity’s F.S. as a whole.
- (l) Date of report
- (m) Place of signature
- (n) Auditor’s signature.

9.2 - SRS 4410 "Compilation Engagement"



Scope: SRS 4410 deals with practitioner's responsibilities when engaged to assist mngt. with preparation & presentation of historical financial information without obtaining any assurance on that engagement.

Compilation Engagement

- Engagement in which a practitioner applies accounting & financial reporting expertise to assist mngt. in preparation & presentation of financial information of an entity in accordance with applicable FRF, & issues a report.
- Since compilation engagement is not an assurance engagement, it does not require practitioner to verify accuracy or completeness of information provided by mngt. for compilation, or otherwise to gather evidence to express an audit opinion or review conclusion on preparation of financial information.
- Financial information that is subject of compilation engagement may be required for various purposes including:
 - To comply with mandatory periodic FR requirements established in law or regulation, if any; or
 - For purposes unrelated to mandatory FR under relevant law or regulation, including for example:
 - For mngt. or TCWG, prepared on a basis appropriate for their particular purposes (internal use).For periodic FR undertaken for external parties under a contract or other form of agreement.
For transactional purposes, for example to support a transaction involving changes to entity's ownership or financing structure (such as merger or acquisition).

Practitioner's objectives under SRS 4410

- Apply accounting & financial reporting expertise to assist mngt. in preparation & presentation of financial information in accordance with applicable FRF based on information provided by management; and
- Report in accordance with requirements of this SRS.

Mngt. Responsibility for Compilation Engagement

While drafting letter of engagement, practitioner shall include responsibilities of management for:

- Financial information & for preparation & presentation thereof, in accordance with FRF that is acceptable in view of intended use of financial information & intended users;
- Design, implementation & maintenance of such IC as mngt determines is necessary to enable preparation of F.S. that are free from material misstatement, whether due to fraud or error;
- Accuracy & completeness of records, documents, explanations & other information provided by mngt. for compilation engagement; and
- Judgments needed in preparation & presentation of financial information.

Compiling the Financial Information

- Practitioner shall compile financial information using records, documents, explanations & other information, provided by mngt.
- If, practitioner becomes aware that records, documents, explanations or other information, are incomplete, inaccurate or not unsatisfactory, he shall bring that to attention of mngt. & request additional or corrected information.
- If the practitioner becomes aware that:
 - Compiled financial information does not adequately refer to or describe applicable FRF;
 - Amendments to compiled financial information are required; or
 - Compiled financial information is otherwise misleading,he shall propose appropriate amendments to management.
- If mngt. failed to provide necessary information, as requested; or declines or does not permit practitioner to make proposed amendments to compiled financial information, practitioner shall withdraw from engagement and inform mngt. & TCWG of reasons for withdrawing.

Documentation

Practitioner shall include in engagement documentation:

- Significant matters arising during compilation engagement & how those matters were addressed by practitioner;
 - A record of how compiled financial information reconciles with underlying records, documents, explanations & other information, provided by management; and
 - A copy of final version of compiled financial information for which mngt. or TCWG, as appropriate, has acknowledged their responsibility, and practitioner's report.
- Practitioner may consider also including in engagement documentation a copy of entity's trial balance, summary of significant accounting records or other information that practitioner used to perform compilation.