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Standard 4400N

Engagements to perform agreed-upon procedures

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Koninklijke Nederlandse
Beroepsorganisatie
van Accountants


NBA

Unofficial translation

This Standard is a translation of the official Dutch version. The Dutch version is leading when discussions take place how to interpret the Standard.

Standard 4400N: Engagements to perform agreed-upon procedures

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Introduction

Scope of this Standard

- 1 This Standard deals with the following:
 - a The responsibilities of the practitioner receiving an engagement to perform specific agreed-upon procedures; and
 - b The form and content of the report of factual findings. (Ref: Para. [A1](#))

Relationship with regulations on quality control

- 2 When a firm is engaged to perform agreed-upon procedures, these procedures are subject to the Regulation on Quality Control¹. This Standard includes a requirement for quality control at the level of the individual engagements to perform agreed-upon procedures. (Ref: Para. [A2](#) and [A3](#))

Description of an engagement to perform agreed-upon procedures

- 3 The practitioner and the intended users will agree to the procedures and premises applicable to the engagement.
- 4 The practitioner performs procedures, which may also occur in the performance of assurance engagements. It is the responsibility of the intended users to determine whether the procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are intended. (Ref: Para. [A4](#) and [A5](#))
- 5 The practitioner provides a report of the factual findings of the agreed-upon procedures, corroborating with the information obtained. The practitioner does not make a pronouncement with regard to the meaning of the factual findings for the underlying subject matter as a whole. The procedures are not meant for this purpose, and therefore do not form a sufficient basis for a pronouncement of the subject matter as a whole.

Although the practitioner does not express an opinion or form a conclusion regarding the subject matter as a whole, it is possible for the practitioner to issue a pronouncement regarding elements of the results. This to avoid the impression that the procedures are undertaken as part of an assurance engagement. (Ref: Para. [34](#) and m, [A6](#) and [A22](#))

- 6 The report is primarily intended for use by the parties with whom the procedures have been agreed upon. This is because the intended users need relevant knowledge of the matters concerned, perhaps in combination with other information available to them, to understand the results and to use them in an appropriate manner.

Authority of this Standard

- 7 This Standard contains the objectives that inform the practitioner in understanding what needs to be accomplished in an engagement to perform agreed-upon procedures.
- 8 This Standard contains requirements that are designed to enable the practitioner to meet the stated objectives. These requirements are expressed by using the auxiliary verb 'shall' (i.e.: 'should do something').
- 9 In addition, this Standard contains introductory material, definitions, and application and other explanatory material, that provide the context relevant to a proper understanding of the Standard.
- 10 The explanation provided in the application and other explanatory material does not have the status of a requirement, but it is relevant to the correct application of the requirements.

¹ Internationally this relates to ISQC1; in the Netherlands this relates to 'Nadere voorschriften kwaliteitssystemen'(NVKS)

Effective date

- 11 For the effective date of this Standard, please refer to the final provision established in the NBA Handbook.

Objectives

- 12 According to this Standard, the practitioner's objectives in an engagement to perform agreed-upon procedures are:
- a Apply his professional expertise for the performance of procedures resulting from agreement with the intended users, and;
 - b Report on factual findings in accordance with the requirements of this Standard.

Definitions

- 13 For the purpose of this Standard, the following terms have the meanings attributed below:
- a *Intended users* - The person, persons or group of people for whom the practitioner prepares the report. The engaging party is an intended user. (Ref: Para. [A7](#))
 - b *The engagement* - The engagement to perform agreed-upon procedures.
 - c *Factual findings* - The results of the procedures which the practitioner can support based on the information obtained. These are observations, findings or a recapitulation of them that have been objectively established at any time.
 - d *The report* - the report of factual findings.

For other definitions, please refer to the Handbook's Glossary of Terms.

Requirements

Conduct of an agreed-upon procedures engagement in accordance with this Standard

- 14 The practitioner shall have an understanding of the entire text of this Standard, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.

Complying with relevant requirements

- 15 The practitioner shall comply with each requirement of this Standard and the terms of the engagement, unless a particular requirement is not relevant to the engagement, for example, if the particular circumstances addressed by the requirement do not exist in the engagement.
- 16 The practitioner shall only represent compliance with this Standard if the practitioner has complied with all requirements of this Standard relevant to the engagement.

Ethical requirements

- 17 The practitioner shall comply with relevant ethical requirements (Ref: Para. [A8](#))
- 18 The practitioner does not have to be independent by performing engagements under this Standard.
- 19 However, the intended users may require the practitioner to be independent. In that case, the practitioner shall meet all of the relevant ethical requirements regarding independence of the Regulation on Independence ('Verordening inzake onafhankelijkheid accountants bij assurance-opdrachten' (ViO)).

Professional skepticism and professional judgment

- 20 The practitioner shall perform the engagement with professional skepticism. (Ref: Para. [A9](#))
- 21 The practitioner shall also exercise professional judgment in conducting the engagement. Ref: Para. [A10](#))

Engagement Level Quality control

- 22 The engagement partner shall take responsibility for:
- a The overall quality of the engagement, and;
 - b The performance of the engagement in accordance with the firm's system of quality control, by:
 - i Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements;
 - ii Being satisfied that the engagement team collectively has the appropriate competencies and capabilities to perform the engagement;
 - iii Being alert for indications of non-compliance by members of the engagement team with the relevant ethical requirements, and determining the appropriate action if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with relevant ethical requirements;
 - iv Directing, supervising, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements, and;
 - v Taking responsibility for appropriate engagement documentation being maintained.

Definition and acceptance of the engagement

Defining the engagement

- 23 The practitioner shall determine whether the engagement to perform agreed-upon procedures is appropriate in the given circumstances. Therefore, he obtains an understanding of the expectations and information needs of the intended users and the purpose for performing the engagement. (Ref: Para. [A11](#))
- 24 The practitioner and the intended users shall agree to the procedures and premises applicable to the engagement. (Ref: Para. [A7](#))
- 25 Under certain circumstances, the practitioner will not be able to consult with all of the intended users regarding the procedures and premises. In these situations, the practitioner shall take other measures, such as:
- Discussing the procedures and premises with the most relevant representative or representatives of the intended users. The practitioner shall determine whether the representative is in fact a sufficient representative of the intended users;
 - Reading a protocol or other available information or correspondence.

Accepting an engagement and agreeing on the terms of the engagement

- 26 The practitioner and the engaging party shall agree the procedures, the engagement premises and the other terms and conditions for the engagement. (Ref: Para. [A12](#))
- 27 Prior to the performance of the engagement, the agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include:
- a The objective and scope of the engagement;
 - b The identification of the underlying subject matter;
 - c The intended users and the restrictions on distribution and use of the report;
 - d The nature, timing and extent of the engagement to perform agreed-upon procedures, and the relevant premises;
 - e A statement that the intended users are expected to determine for themselves whether the procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are intended;
 - f A statement that the practitioner does not make a pronouncement regarding the meaning of the factual findings for the underlying subject matter as a whole;
 - g A statement that the intended users are expected to make their own assessment regarding the meaning of the factual findings for the underlying subject matter as a whole, based on the factual findings and any other available information;
 - h The responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements;

- i If applicable, a statement that the practitioner shall comply with the Regulation on Independence of the ViO;
 - j A statement that the factual findings will be provided in the form of a report. (Ref: Para. [A13](#) and [A14](#))
- 28 The practitioner shall not accept the engagement if he assesses that:
- a The procedures to be performed and the factual findings are not expected to satisfy the objective or the information needs of the intended users, or;
 - b The intended users will probably interpret the results of the engagement as an practitioner's pronouncement regarding the underlying subject matter as a whole, or;
 - c The report cannot be restricted to the intended users, unless otherwise prescribed by legal requirements. (Ref: Para. [A24](#)); or
 - d The report will be used for another purpose than to which it was prepared.

Performing the engagement

- 29 The practitioner shall perform the agreed-upon procedures and provide a report of the factual findings. (Ref: Para. [A15](#), [A16](#) and [A17](#))
- 30 Before the report is issued, the practitioner shall discuss with the engaging party and the other intended users, if necessary, whether there are any matter(s) he believes are important enough to merit the intended user's attention.
- 31 If, during the course of the engagement, the practitioner becomes aware of suspected fraud or non-compliance with laws and regulations, the practitioner shall:
- a Communicate the matter with the appropriate level of management or those charged with governance;
 - b Communicate the matter with another practitioner who performs an engagement for the same entity, or who may consider to accept an engagement subject to the Standards of the Handbook, if applicable;
 - c Determine whether he should withdraw from the engagement or modify the terms of the engagement. (Ref: Para. [A18](#), [A19](#) and [A20](#))

Documentation

- 32 The practitioner shall include the following in the engagement documentation:
- a The nature, timing and extent of the agreed-upon procedures and the results of the procedures as the basis for the report of factual findings, and;
 - b Information indicating that the engagement was performed in accordance with this Standard and the terms of the engagement.

The report of factual findings

- 33 The practitioner shall record the results of his procedures in a report.
- 34 This report shall include:

General

- a Title;
- b Addressee;

Engagement

- c Identification of the underlying subject matter;
- d A description of the purpose for which the agreed-upon procedures were performed;
- e A statement that the procedures performed were those agreed upon with all the intended users ;
- f A reference to the terms of the engagement, and any statement of limited modifications to the agreed-upon procedures in the report;

Responsibilities

- g A statement that the intended users are responsible for determining whether procedures performed as agreed upon are sufficient and appropriate for the purpose of which they are solely intended;
- h A statement that the engagement was performed in accordance with Standard 4400N: Engagements to Perform Agreed-upon Procedures;
- i A statement that the engagement was performed:
 - i In accordance with the relevant ethical requirements;
 - ii If applicable, a statement that the practitioner has complied with the Regulation on Independence of the ViO;

Procedures and factual findings

- j Identification of the agreed-upon premises;
- k A detailed description of the agreed-upon procedures and factual findings; (Ref: Para. [A6](#), [A21](#), [A22](#) and [A23](#))
- l Any description of agreed-upon procedures that the practitioner was unable to complete, and the reasons thereof;
- m A statement that the practitioner makes no pronouncement regarding the meaning of the factual findings for the underlying subject matter as a whole;
- n A statement that the intended users are expected to make their own assessment regarding the underlying subject matter as a whole, based on the factual findings in the report and other available information;

Restriction on distribution and use

- o A statement that the report is restricted to the intended users, unless otherwise prescribed by legal requirements. (Ref: Para. [A24](#))
- p A statement that the expectations and information needs of the intended users have been taken into consideration;

Signature

- q Date of practitioner's report;
- r Practitioner's address, and;
- s Signature (practitioner's name and firm's name).

- 35 The practitioner may grant the engaging party or other intended users permission to distribute the report to third parties. Such permission shall be given in writing. The practitioner shall determine whether the report is appropriate for use, as the engagement to perform agreed-upon procedures is for a specific purpose or because specific knowledge of the matters concerned is needed to understand the results and use it in an appropriate manner.
- 36 The practitioner shall date the report on or after the date on which the practitioner completed the engagement in accordance with this Standard.

Application and other explanatory material

Scope of this Standard (Ref: Para. [1](#))

- A1 This standard deals with engagements relating to both financial and non-financial information.

Relationship with regulations on quality control (Ref: Para. [2](#))

- A2 In the event of deficiencies identified in the system of quality control, that affect the engagement, the engagement partner may consider measures taken by the firm into account if he is of the opinion that these are sufficient for the engagement.
- A3 A deficiency in the firm's system of quality control does not necessarily indicate that:
 - a A specific engagement cannot be performed in accordance with the professional standards and applicable laws and regulations, or;

- b The report is not appropriate.

Description of an engagement to perform agreed-upon procedures (Ref: Para. 4 and 5)

A4 The diagram below clarifies the characteristics of an engagement to perform agreed-upon procedures by comparing them to an assurance engagement.

Subject Matter	Agreed-upon procedures engagement	Assurance engagement
Context	Private (communication with users is necessary)	Public or private
Engagement objective	Providing specific information to an intended user with some knowledge of the underlying subject matter.	Providing an opinion/conclusion regarding the fair presentation of information or compliance with prescribed requirements.
Procedures: Planning	The practitioner and the intended users agree to the procedures. It is the responsibility of the intended users to determine whether the procedures performed as agreed upon are sufficient and appropriate for the purpose for which they intend to use the report.	The practitioner determines independently which procedures are needed to express an opinion/ form a conclusion based on a standards framework.
<i>Implementation</i>	The nature of the procedures is similar.	
<i>Evaluation</i>	The user makes his own assessment regarding the meaning of the results of the procedures for his own purpose.	The practitioner evaluates the results of the procedures to form his conclusion/ express his opinion.
Reporting	Description of the factual findings.	The opinion/conclusion regarding the underlying subject matter as a whole.

A5 The diagram below compares examples of an engagement to perform agreed-upon procedures with an assurance engagement.

Description	Agreed-upon procedures engagement / Report of factual findings	Assurance engagement / Assurance report
Subject matter	<i>Purchasing costs</i>	
Engagement/question	For 10 purchasing invoices, determine that: <ul style="list-style-type: none"> • They have been booked to general ledger account XXX; • The invoices have been authorized in accordance with the authorization table, and; • The invoices have been paid to the appropriate creditor. 	Have the invoices been properly recognized in the accounting records?
Procedures <i>Planning</i> <i>Implementation</i> <i>Evaluation</i>	The procedures are the same as the engagement.	<ul style="list-style-type: none"> • Determining the approach to be used, including assessing the risk that purchasing costs have been improperly recognized; • Examine the design of internal controls; • Examine the operating effectiveness of internal controls through a partial observation of purchasing costs, including: whether they are supported by an invoice, authorized, paid and properly recognized in the accounting records; • Partial observation of purchasing costs (substantive tests); • Evaluate the accuracy of the purchasing costs.

- A6 For example, the practitioner may state that the internal guidelines have been followed for eight examined statements of expenses, but does not issue a pronouncement pertaining to all statements of expenses. Another example is when the practitioner compares data from two different sources and then reports that the information in these sources reconciles. Or if the practitioner checks the calculations and reports on whether the calculations are accurate (recalculation).

The diagram below shows examples of procedures, premises and factual findings for an engagement to perform agreed-upon procedures.

Agreed-upon procedures with respect to reimbursement of expenses incurred by management	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>We examined whether the internal guidelines for expense reimbursements have been followed for the four largest reimbursement of expenses incurred by the two Board members, according to the payroll accounting records overview for the period ...</p> <p>In accordance with the terms of the engagement, we examined whether:</p> <ul style="list-style-type: none"> • A statement of expenses was present; • The statement of expenses was supported by an invoice, payment voucher or other documents; • The statement of expenses were authorized by (functionary XXX); • The expenses were permitted by internal guidelines. 	<p>Our examination shows that the internal guidelines were followed for the eight reimbursement of expenses incurred by the Board members.²</p>

Agreed-upon procedures with respect to grant recipient travel and accommodation expenses	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>The practitioner selects 12 random items from the grant recipient's travel and accommodation expenses. He examines that:</p> <ul style="list-style-type: none"> • The travel and accommodations expenses are consistent with the common internal travel policy. The grant recipient has provided a basis for the common travel expenses policy, so that the practitioner can compare the selected items of the travel expenses with the policy (for example the use of first-class tickets, reimbursement based on actual costs or a fixed amount); • The items have a direct connection to the funded project, as supported by relevant documents (such as minutes of meetings, information from workshops and conferences, consistency as to dates/duration of the workshop/conference); • These expenses are eligible for grant and are not excessive or irresponsible expenses. 	<p>Our examination shows that for the 12 items examined:</p> <ul style="list-style-type: none"> • Expenses have been incurred, approved and reimbursed in accordance with the common travel policy. • There is a direct connection between the expenses and the project, and that the evidence is consistent with the subject of the travel, the dates and duration. • These expenses are eligible for grant and are not excessive or irresponsible expenses.

² The practitioner may consider providing an attachment with the selected items.

Agreed-upon procedures regarding key figures	
<i>Procedures and premises</i>	<i>Factual findings to be reported</i>
<p>We have received the calculation of ratio xxxx (as of date) and have examined whether:</p> <ul style="list-style-type: none"> • The calculation method used reconciles with the prescribed method [date]; • The ratio calculated by you is based on the information provided in the audited financial statements [period of the entity]; • The calculations have been re-calculated and are accurate. 	<p>Our examination shows that:</p> <ul style="list-style-type: none"> • In the calculation of ratio xxxx, the revenue for product X [ad. amount] has not been included. According to the prescribed method, this is part of ratio xxxx. • The information used is in accordance with audited financial statements. • The calculation method for ratio xxxx is mathematically accurate.

Other examples of premises include requirements listed in an protocol for the practitioner, requirements from a contract, and agreements made between the engaging party and the user(s).

Definitions (Ref: Para. [13a](#))

A7 Users

The following groups of users are acknowledged:

Intended users: The users who are known to the practitioner upon accepting the engagement, and with whom he consults regarding the procedures and premises. These include:

- Engaging party:
The practitioner and this user agree to the terms of the engagement, including the procedures and the engagement premises. He is the person who is legally authorized to sign the engagement.
- Other users with whom the practitioner consults regarding the procedures and premises.

Other users:

- Users who are announced at a later time.
Users who are not known to the practitioner upon acceptance of the engagement, and who indicate that they wish to use the report at a later time. The practitioner may grant separate permission for this, after he has determined that the report is appropriate for use. (Ref: Para. [35](#)).
- Unknown users
Users who are completely unknown to the practitioner. These include users who obtain the report under the law. The practitioner bears no responsibility for use of the report by this group of users. He cannot determine for which purpose they wish to use the report, or if they possess the knowledge of the matters concerned necessary to understand the results and to use them in an appropriate manner.

Ethical requirements (Ref: Para. [17](#)).

A8 The Dutch Code of Ethics states the fundamental principles with which the practitioner is required to comply, and provides a conceptual framework for the application of these principles. The fundamental principles are:

- Integrity;
- Objectivity;
- Professional competence and due care;
- Confidentiality; and
- Professional behavior.

Compliance with the Dutch Code of Ethics requires that any threats to the relevant fundamental principles be identified and responded to in an appropriate manner.

Professional skepticism and professional judgment (Ref: Para. 20 and 21)

- A9 The practitioner uses his professional skepticism including in the critical assessment of information during the performance of the procedures. This includes being alert to the following:
- a Information that is inconsistent or contradictory;
 - b Information that brings into question the reliability of documents and responses received;
 - c Considering whether the information sufficiently supports the reported factual findings.
- A10 The practitioner uses his professional judgment when making a variety of assessments during the engagement. For this purpose, the practitioner uses his knowledge, experience and relevant training in the context of the Standard and ethical principles. This includes:
- a The assessment whether the engagement is appropriate under the given circumstances;
 - b Helping the intended user to determine the procedures and premises, and whether these are sufficient to meet the expectations and information needs of the intended user.
 - c Determining whether findings should be reported;
 - d Considering whether he should withdraw from the engagement or modify the terms of the engagement in the event of suspected fraud or non-compliance with laws and regulations.

Definition and acceptance of the engagement (Ref: Para. 23 to 28)

Defining the engagement (Ref: Para. 23).

- A11 Care should be taken when determining whether the engagements actually involve 'agreed-upon procedures', or if they can be expected to be performed as part of an audit or other assurance engagement. For example, the content of mandates within the public sector can vary widely.

Accepting an engagement and agreeing the terms of the engagement (Ref: Para. 26 and 27)

- A12 It is possible for intended users other than the engaging party to sign the engagement letter.
- A13 It may occur that the practitioner is not able to perform the planned procedures as part of an engagement, but may be able to perform other procedures. In this case, the practitioner consults with the intended users regarding modifying the terms of the engagement.

When the engaging party wants that other procedures are performed, then it will usually be necessary to revise the engagement letter as well. Limited modifications may require only a statement in the report of factual findings.

- A14 The practitioner may consider to include an example of the lay-out of the report of factual findings in the engagement letter (see illustrative reports Handbook part 3).

Performing the engagement (Ref: Para. 29 and 31)

- A15 The procedures may consist of:
- Inquiry;
 - Analytical procedures;
 - Recalculation;
 - Observation;
 - Inspection;
 - External confirmation.

In principle, statistical sampling is used to arrive at a conclusion regarding the whole population with a certain basis for conclusions. As a result, statistical samples are not appropriate for a 4400 engagement.

- A16 When performing analytical procedures, the practitioner may use the intended users' expectation of numbers or ratios. These can then be included as a premise in the terms of the engagement or in the report, for example.
- A17 If the practitioner uses the work of an expert, then the practitioner may:

- Evaluate the adequacy of the work of the expert, including his objectivity and expertise in the performance of the procedures;
- Determine whether the work performed corresponds with the procedures described in the terms of the engagement.

A18 Paragraphs [31](#), [A19](#) and [A20](#) are intended for a situation in which the practitioner becomes aware of suspected fraud or non-compliance with laws and regulations during the course of the engagement. These paragraphs are not intended for a situation in which an practitioner is asked to perform agreed-upon procedures in the context of a suspected fraud or non-compliance with laws and regulations.

A19 In such a case, the practitioner will determine whether he is required to report a suspected fraud or non-compliance with laws and regulations to an authority outside the entity, as stipulated in the Anti Money Laundering and Terrorist Financing Act ('Wet ter voorkoming van witwassen en financieren van terrorisme' (Wwft)).

A20 The practitioner reports any factual findings that were found in the performance of the engagement. For example: a signature deviates from the original signature list, or an invoice is not the original one. Unless the engagement is focused on this aspect, the practitioner should not include a suspected fraud or non-compliance with laws and regulations in the report, nor should he use these terms in the report. If there is a suspected fraud or non-compliance with laws and regulations, then a new engagement would be needed to investigate this.

The report of factual findings (Ref: Para. [34j](#), [34n](#))

A21 The level of detail in the description of the factual findings is such that it enables the intended users to make their own assessment regarding the meaning of the factual findings for the underlying subject matter.

One attention point is the provision of adequate reference to source information, such as:

- Describing the extent of a partial observation, and what it is based upon (period, source, from number ... to ...);
- Indicating if information was obtained upon inquiry.

For examples, please refer to paragraph [A6](#).

A22 Terms that are less appropriate for use in a report include: 'assurance', 'audit', 'review', 'opinion', 'conclusion', 'fair presentation'. These concepts are related to providing assurance under the Standards of the Handbook.

A23 It is possible that an practitioner has observations based on the agreed-upon procedures, as he would in an audit or review engagement. If the practitioner wishes to report these observations (recommendations) in writing, then due to the nature of the engagement it seems appropriate to include them in a separate report or in a clearly differentiated part of the report. Due to the nature of the engagement performed (agreed-upon procedures), these observations may be limited. The practitioner should determine whether such limitations are present, and explain them in the separate report or clearly differentiated part of the report. In principle, the separate report is intended solely for the use of the engaging party.

A24 An exception to restriction on distribution is imposed if law or regulation require otherwise, as is the case with the 'Act on public access to government information' ('Wet openbaar bestuur' (Wob)). The premise in this law is that government information is always public, unless this law or other legislation determines that the requested information is not appropriate to disclose.

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