



## Agenda Item 2C

### Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements*

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<b>Introduction</b>	<b>Introduction</b> (Ref: par. .02 and .05)
<p>.01 This section contains performance and reporting requirements and application guidance for all agreed-upon procedures engagements. The requirements and guidance in this section supplement the requirements and guidance in AT-C section 105, <i>Concepts Common to All Attestation Engagements</i>.*</p>	
<p>.02 An <i>agreed-upon procedures engagement</i> is one in which a practitioner is engaged to issue, or does issue, a practitioner’s report of findings based on specific procedures applied to subject matter. The subject matter may be financial or nonfinancial information. <del>The procedures may be developed by the practitioner, the engaging party, another party, or a combination of these parties. Because the needs of an engaging parties party may vary widely, and the nature, timing, and extent of the procedures are, therefore, engagement-specific and tailored to meet the engaging party’s needs may vary as well.</del> (Ref: par. A1-.A2)</p> <p>.03 Because the engaging party best understands its own needs, the engaging party is required to <u>agree to the procedures and</u> acknowledge that the procedures performed are appropriate for the intended purpose of the engagement prior to issuance of the practitioner’s agreed-upon procedures</p>	<p><u>A1 Based on the nature of the engagement, the procedures may be applied to subject matter or subject matter information as those terms are defined in paragraph .10 of AT-C section 105, <i>Concepts Common to All Attestation Engagements</i>.</u></p> <p><u>A2 The procedures to be performed may be developed by the practitioner, the engaging party, another party, or a combination of these parties. Further, the procedures may be prescribed by law, regulation, or contract.</u></p>

**Commented [MG1]:** Deleted pursuant to PwC comment.

**Commented [MG2]:** Edit made pursuant to PwC comment that the language be closer to extant paragraph .02.

**Commented [MG4]:** Moved up from paragraph .A17.

\* All AT-C sections can be found in AICPA *Professional Standards*.

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<p>report. <del>Engagement C</del>ircumstances may exist in which the practitioner may want be such that it is appropriate for additional parties to acknowledgment acknowledge regarding the appropriateness of that the procedures from other parties in addition to the engaging party performed are appropriate for their purposes. Additionally, there may be engagements in which the engaging party or other parties assume responsibility for the sufficiency of the procedures. The engaging party and, if applicable, the other parties assume the risk that such procedures might be insufficient for their purposes. In addition, those parties assume the risk that they might misunderstand or otherwise inappropriately use findings properly reported on by the practitioner. <del>The engaging party and intended users assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.</del></p>	
<p><b>.04</b> In an engagement performed in accordance with this section, the practitioner does not perform an examination or a <del>limited assurance engagement</del>review and does not provide an opinion or conclusion. Instead, the agreed-upon procedures report is in the form of procedures and findings.</p>	
<p><b>.05</b> When a practitioner performs services pursuant to an engagement to apply agreed-upon procedures to subject matter as part of or in addition to another form of service, this section applies only to those services described herein; other professional standards would apply to the other services. Other services may include an audit, review, or compilation of a financial statement, another attestation service performed pursuant to the attestation standards, or a nonattest service. A practitioner's report on applying agreed-upon procedures to subject matter may be combined with a report on such other services, provided the types of services can be clearly distinguished, and the applicable standards for each service are followed. <u>(Ref: par. A3)</u></p>	<p><u><b>.A3</b> As part of the agreed-upon procedures engagement, a practitioner may be engaged to develop, or assist in the development of, the procedures to be performed.</u></p>

**Commented [MG3]:** From paragraph 4 of ED-4400 (added pursuant to PwC comment).

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<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.06</b> This section does not apply to engagements to issue letters (commonly referred to as <i>comfort letters</i>) to underwriters and certain other requesting parties.<sup>1</sup></p>	
<p><b>Effective Date</b></p>	
<p><b>.07</b> If issued as final, this section will be effective for agreed-upon procedures reports dated on or after <del>May 1, 2020</del> July 15, 2021.<sup>‡</sup> Early implementation is not permitted.</p>	
<p><b>Objectives</b></p>	<p><b>Objectives (Ref: par. .08a)</b></p>
<p><b>.08</b> In conducting an agreed-upon procedures engagement, the objectives of the practitioner are to do the following:</p> <ul style="list-style-type: none"> <li>a. Apply specific procedures to subject matter. (Ref: par. <del>.A1A4</del>)</li> <li>b. Issue a written practitioner’s report that describes the procedures applied and the practitioner’s findings without providing an opinion or conclusion on the subject matter.</li> <li>c. Communicate further as required by relevant AT-C sections.</li> </ul>	<p><del>.A1-A4</del> In an agreed-upon procedures engagement, the practitioner applies procedures to the subject matter of the engagement. The requirements and guidance related to the subject matter <del>and criteria</del> in AT-C section 105 apply.</p>
<p><b>Requirements</b></p>	
<p><b>Conduct of an Agreed-Upon Procedures Engagement</b></p>	<p><b>Conduct of an Agreed-Upon Procedures Engagement (Ref: par. <del>.09-.10</del>)</b></p>
<p><b>.09</b> In performing an agreed-upon procedures engagement, the practitioner should comply with this section, AT-C section 105, and any subject matter section that is relevant to the engagement. A subject matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. <del>.A2A5</del>)</p>	<p><del>.A2-A5</del> For example, if a practitioner were performing an agreed-upon procedures engagement related to an entity’s compliance with requirements of specified laws, regulations, rules, contracts, or grants, AT-C section 105, this section, and AT-C section 315, <i>Compliance Attestation</i>, would be relevant. <u>In addition, there may also be</u></p>

**Commented [MG5]:** 18 months after issuance (pursuant to Task Force recommendation). This is consistent with the proposed effective date of the proposed SSARSs that will permit the expression of an adverse conclusion in a review performed in accordance with AT-C section 210.

**ARSC is recommending allowing early implementation.**

For reference, SAS No. 122 was issued in October 2011 and had an effective date of December 15, 2012.

<sup>1</sup> See AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties*, in AICPA Professional Standards.

<sup>‡</sup> ~~This proposed effective date is provisional but will not be earlier than May 1, 2020.~~

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	<p><u>interpretative publications applicable to the subject matter such as, Statement of Position 17-1, Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services As Defined by SEC Release No. 34-72936.</u></p>
<p><b>Preconditions for an Agreed-Upon Procedures Engagement</b></p>	<p><b>Preconditions for an Agreed-Upon Procedures Engagement (Ref: par. .10-.11)</b></p>
<p><b>.10</b> AT-C section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards, unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter or assertion.<sup>2</sup> When the practitioner is not independent but is required by law or regulation to accept an agreed-upon procedures engagement and report on the procedures performed and findings obtained, the practitioner’s report should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor. (Ref: par. <u>.A3A6</u>)</p>	<p><del>.A3-A6</del> The “Agreed-Upon Procedure Engagements Performed in Accordance With SSAEs” interpretation (ET sec. 1.297.020)<sup>‡</sup> of the “Independence Rule” establishes independence requirements unique to agreed-upon procedures engagements.</p>
<p><b>.11</b> In order to establish that the preconditions for an agreed-upon procedures engagement are present, the practitioner should determine that the following conditions, in addition to the preconditions identified in AT-C section 105, are present:<sup>3</sup></p> <ol style="list-style-type: none"> <li>a. The practitioner determines that procedures can be designed, performed, and reported on <del>to meet the intended purpose of the engagement</del> <u>in accordance with this section.</u> (Ref: par. A7)</li> <li>b. <u>The engaging party agrees, or will be able to agree, to the procedures and acknowledge that the procedures are appropriate for the intended purpose of the engagement.</u></li> </ol>	<p><u>.A7 In determining whether procedures can be designed, performed, and reporting on in accordance with this section, the practitioner may consider whether such procedures:</u></p> <ul style="list-style-type: none"> <li>• <u>Are or will be subjective or require judgment to apply</u></li> <li>• <u>Are or will not be selected to only result in findings that show the subject matter in a favorable light</u></li> <li>• <u>Will meet the intended purpose of the engagement as well as the intended purpose of other parties to the engagement.</u></li> </ul>

Commented [MG6]: Added pursuant to PwC comment.

Commented [MG7]: Added pursuant to PwC comment (not hanging off the same requirement paragraph that PwC recommended).

<sup>2</sup> Paragraph .10 of AT-C section 105, *Concepts Common to All Attestation Engagements*.

<sup>‡</sup> All ET sections can be found in AICPA *Professional Standards*.

<sup>3</sup> Paragraphs .25-.30 of AT-C section 105.

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<p><del>bc. Procedures</del> <u>The procedures</u> to be applied to the subject matter <del>will be</del> <u>are</u> expected to result in reasonably consistent findings <del>using the criteria</del>.</p> <p><del>ed.</del> When applicable, the practitioner agrees to apply any materiality limits established by the engaging party for reporting purposes.</p>	
<p><u>.12 The practitioner should establish an understanding with the engaging party regarding the nature of the engagement, including:</u></p> <p><u>a. The intended purpose of the engagement and the intended users of the agreed-upon procedures report; (Ref: par. A8-.A9)</u></p> <p><u>b. Any law, regulation, or contract pursuant to which the engagement is to be performed; and (Ref: par. A10)</u></p> <p><u>c. whether parties in addition to the engaging party will be requested to acknowledge that the procedures performed are appropriate for their</u></p>	<p><u>.A8 The intended purpose of the engagement is determined by the engaging party. Consideration of the intended purpose of the engagement and the intended users of the practitioner’s agreed-upon procedures report informs the practitioner’s judgments about whether it is practical or necessary to obtain the agreement of those users, and whether to restrict the use of the report as discussed in paragraphs .36-.37.</u></p> <p><u>.A9 The engagement may be required by law, regulation, or contract or may arise as a result of a request by a third party or the engaging party’s intent to provide information to a broad class of users, such as customers.</u></p> <p><u>.A10 Law or regulation may require an agreed-upon procedures engagement to be performed (for example, to demonstrate compliance with requirements of specific laws or regulations). Further, the procedures to be performed may be prescribed by law, regulation, or contract. Regulatory expectations may also be set out as part of a regulatory audit or communications or requests from regulators. Law or regulation may prescribe the nature, timing, and extent of the procedures to be performed and, in some cases, the way the procedures or findings are to be described in the practitioner’s report. In other circumstances, law or regulation may prescribe only the nature of the procedures to be performed, or may use uncertain terms lacking clarity that an agreed-upon procedures engagement is an acceptable service (for example, terms requiring an audit, review, examination, validation, or certification).</u></p>

Commented [MG8]: Moved up from paragraph .A7 pursuant to PwC comment.

Commented [MG9]: Moved from paragraph .02.

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<p><u>intended purposes. (Ref: par. A11-.A13)</u></p>	<p><u>.A11 Based on the practitioner’s understanding with the engaging party, the practitioner may consider it necessary to request a regulator to acknowledge that the procedures performed are appropriate for their intended purpose, particularly in the case of an initial engagement, where law or regulation prescribes only the nature of the procedures to be performed, or where there may be uncertainty as to whether an agreed-upon procedures engagement is an acceptable service.</u></p> <p><u>.A12 A contract may require an agreed-upon procedures engagement to be performed. Given the procedures are being performed to satisfy the obligations or expectations of the parties to the contract, unless the procedures, or a detailed description of the nature of the procedures, are included in the contract, it may be necessary for all parties to the contract to acknowledge that the procedures performed are appropriate for their purposes.</u></p> <p><u>.A13 As another example, a practitioner may be engaged to perform procedures relating to a securitization transaction. In such circumstances, the practitioner and engaging party may determine it is necessary for other parties, such as underwriters, to agree to the procedures.</u></p>
<p><u>.13 The practitioner is precluded from accepting an agreed-upon procedures engagement if the practitioner believes the intended purpose of the engagement is not clear or the engaging party will not have a basis for acknowledging that the procedures are appropriate for the intended purpose of the engagement.</u></p>	
<p><b>Agreeing on the Terms of the Engagement</b></p>	<p><b>Agreeing on the Terms of the Engagement (Ref: par. <del>.1214-.1315</del><u>and .20</u>)</b></p>

Commented [MG10]: From PwC comment letter

Commented [MG11]: From PwC comment letter.

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~~.12-14~~ The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. ~~.A4A14~~)

- ~~.13-15~~ The agreed-upon terms of the engagement should include the following:
- ~~a.~~ The nature of the engagement ~~established pursuant to paragraph .12~~
  - ~~b.~~ Identification of the subject matter, ~~and~~ the responsible party, ~~and the criteria to be used~~
  - ~~c.~~ The responsibilities of the practitioner (Ref: par. ~~.A5A15-.A7A16~~)
  - ~~d.~~ A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants

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~~.A4-A14~~ It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.

~~.A5~~ ~~The practitioner's responsibilities may include recommending, developing, or assisting in developing the procedures to be performed.~~

~~.A6-A15~~ The responsibility of the practitioner is to carry out the procedures and report the findings in accordance with the attestation standards. The practitioner assumes the risk that misapplication of the procedures may result in inappropriate findings being reported. Furthermore, the practitioner assumes the risk that appropriate findings may not be reported or may be reported inaccurately. The practitioner's risks can be reduced through adequate planning and supervision and due professional care in performing the procedures, accumulating the findings, and preparing the practitioner's report.

~~.A7-A16~~ The practitioner has no responsibility to determine the differences between the procedures to be performed and the procedures that the practitioner would have determined to be necessary had the practitioner been engaged to perform another form of attestation engagement. ~~The procedures that the practitioner performs pursuant to an agreed-upon procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had he or she been engaged to perform another form of engagement.~~

**Commented [MG16]:** Retained pursuant to PwC comment.

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e. ~~A statement that~~ the responsible party is responsible for the subject matter ~~in accordance with (or based on) the criteria~~ (Ref: par. ~~A8~~~~A17~~~~-A11~~)

~~A8~~ A practitioner may also be engaged, as a separate service, to assist the responsible party in measuring or evaluating the subject matter against the criteria.

~~A9~~ Regardless of the procedures performed by the practitioner when assisting the responsible party in measuring or evaluating the subject matter, the responsible party is required to accept responsibility for the subject matter in accordance with (or based on) the criteria.

~~A10~~~~A17~~ There may be circumstances in which the party responsible for the subject matter is not a party to the engagement. For example, the practitioner may be engaged to perform procedures with respect to benchmarking certain information in which multiple entities may be responsible for certain aspects of the information, or the information may be publicly available, such as subject matter that appears on the internet or in a public building such as a grocery or retail store. If the practitioner is engaged to benchmark the prices of 10 products at 3 different stores on a certain date, each of the stores may be responsible for the source of the subject matter and the price that is published on the shelf. ~~As another example, if the practitioner is engaged to count the ballots of an election, although a party may be responsible for the voting process, such party is not responsible for the subject matter of the outcome of the election.~~

~~A11~~ The engaging party may request that the practitioner recommend, develop, or assist in the development of criteria for the engagement. The engaging party is deemed to have identified the criteria if they agree to the criteria that the practitioner recommended, developed, or assisted in the development of.

~~f. A statement that the procedures that will be performed will not constitute an examination or a limited assurance attestation engagement (or an audit or review of financial statements, if applicable) and accordingly, the practitioner will not express an opinion or a conclusion~~

**Commented [MG12]:** Deleted pursuant to PwC comment letter. The extant requirement is not this prescriptive.

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~~g. Identification of the following:  
i. The intended purpose of the engagement as determined by the engaging party (Ref: par. .A12)~~

~~A12 The intended purpose of the engagement is determined by the engaging party. The engagement may be related to law, regulation, or contract or from a request by a third party, or may be the result of the engaging party providing information to a broad class of users, such as customers. For example, the intended purpose may be stated as “to assist users of this report in assessing whether [the subject matter] is [performed, presented] in accordance with [the criteria to be used].”~~

~~ii. If applicable, the law, regulation, or contract pursuant to which the engagement is to be performed~~

~~A13 In addition to obtaining the required acknowledgment regarding the appropriateness of the procedures from the engaging party, the practitioner may also want other parties to acknowledge that the procedures performed are appropriate for their purposes. For example, the practitioner may decide to restrict the use of the practitioner’s report to certain specified parties and obtain acknowledgment from those specified parties that the procedures performed are appropriate for their purposes. Additionally, if the engagement is related to a contract or regulation, the practitioner may want to confirm with the other parties to the contract or with the regulator that the procedures are appropriate for their purposes. Nothing precludes the practitioner and engaging party from agreeing to the type of communication or acknowledgment to be used and who would make the communication. However, if the practitioner intends to communicate directly with a party other than the engaging party, the rules regarding confidential information as set forth in the AICPA Code of Professional Conduct may apply.~~

~~A14-A18 If the procedures are prescribed or otherwise developed by parties other than the practitioner, the agreed-upon terms of the engagement may include the procedures to be performed.~~

~~hf. An acknowledgment that the engaging party agrees to provide the practitioner, prior to the completion of the engagement, with a written acknowledgment regarding the appropriateness of the procedures for the intended purpose of the engagement. In circumstances in which parties in addition to the engaging party will be requested to acknowledge that the procedures are appropriate for their purposes and such parties are known at the onset of the engagement, the agreed-upon terms of the engagement should include an identification of such parties. (Ref. par. .A13A18–A15).~~

~~ig. An acknowledgment that the appropriate engaging party agrees to provide, at the conclusion of the engagement, a representation letter that, if applicable, will include a representation that the engaging party has obtained acknowledgment from all appropriate parties that the procedures are appropriate for their purposes.~~

~~h. If the engaging party is not the responsible party, a statement that written representations may be requested from the responsible party.~~

~~i. Reference to the expected form and content of the practitioner’s agreed-upon procedures report, including:~~

~~1) a description of the parties that will be identified as having~~

**Commented [MG13]:** This will be covered in the nature of the engagement (subparagraph a).

**Commented [MG17]:** Moved up to paragraph A4

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<p><del>acknowledged that the procedures are appropriate for their purposes and, if applicable, a statement that such additional parties have acknowledged that that the procedures performed are appropriate for their purposes;</del></p> <p>2) <del>if the engaging party acknowledges that the procedures are appropriate for the intended purpose of the engagement, and no additional parties acknowledge that the procedures are appropriate for their purposes, a statement that no other party acknowledged that the procedures are appropriate for any purpose; and</del></p> <p>3) <del>a statement that the practitioner does not accept any responsibility for the appropriateness of the procedures for any purpose, unless the practitioner decides to accept responsibility for the appropriateness of the procedures.</del></p> <p>j. Disclaimers expected to be included in the practitioner’s report, if applicable</p> <p>k. Use restrictions, if applicable</p> <p>l. Assistance to be provided to the practitioner, if applicable</p> <p>m. Involvement of a practitioner’s external specialist, if applicable</p> <p>n. Specified materiality limits, if applicable</p>	<p><del>.A15 The agreed upon terms of the engagement may include that other parties acknowledge that they assume responsibility for the sufficiency of the procedures and the identification of such parties.</del></p>
<p><b>Procedures to Be Performed</b></p>	<p><b>Procedures to Be Performed (Ref: par. <del>.A16-.A17</del>)</b></p>
<p><del>.A16 The practitioner should perform procedures designed to meet the intended purpose of the engagement as determined by the engaging party established with the engaging party pursuant to paragraph .12a and included in the agreed upon terms of the engagement. (Ref: par. <del>.A16A19-.A21A23</del>)</del></p>	<p><del>.A16 The procedures to be performed may be developed by the practitioner, the engaging party, another party, or a combination of these parties. Further, the procedures may be prescribed by law, regulation, or contract.</del></p>

**Commented [MG14]:** Pursuant to PwC comment, deleted reference to EP obtaining the acknowledgment.

**Commented [MG15]:** Consistent with wording in paragraph 26c(ii) of AR-C section 60.

**Commented [MG18]:** Moved up to paragraph .A2

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	<p><del>.A17-A19</del> Mere reading of specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying procedures.</p>
	<p><del>.A18-A20</del> Examples of appropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Inspection of specified documents evidencing certain types of transactions or detailed attributes thereof</li> <li>• Confirmation of specific information with third parties</li> <li>• Comparison of documents, schedules, or analyses with certain specified attributes</li> <li>• Performance of specific procedures on work performed by others</li> <li>• Performance of mathematical computations</li> </ul>
	<p><del>.A19-A21</del> Examples of inappropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Mere reading of the work performed by others solely to describe their findings</li> <li>• Evaluating the competency or objectivity of another party</li> <li>• Obtaining an understanding about a particular subject</li> <li>• Interpreting documents outside the scope of the practitioner’s professional expertise</li> </ul>
	<p><del>.A20-A22</del> If the practitioner selects a sample, stating the size of the sample and how the sample was selected contributes to the specificity of the description of procedures performed (for example, 50 items starting at the eighth item and selecting every fifteenth item thereafter or invoices issued from May 1 to July 31, 20XX).</p>
	<p><del>.A21-A23</del> Examples of other information the practitioner may include are the date the procedure was performed and the sources of information used in performing the procedure.</p>

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~~.15-17~~ The practitioner should not perform procedures that are open to varying interpretations or that use vague or ambiguous language. Terms of uncertain meaning (such as *general review*, *limited review*, *check*, or *test*) should not be used in describing the procedures unless such terms are defined within the procedures. (Ref: par. ~~.A22~~A24)

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~~.A22- A24~~ To avoid vague or ambiguous language, the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures performed. Examples of acceptable descriptions of actions are as follows:

- Inspect
- Confirm
- Compare
- Agree
- Trace
- Inquire
- Recalculate
- Observe
- Mathematically check

Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently precise or have an uncertain meaning:

- Note
- Review
- General review
- Limited review
- Evaluate
- Analyze
- Check
- Test
- Interpret
- Verify
- Examine

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<p><del>.16-18</del> The practitioner should obtain evidence from applying the procedures to provide a reasonable basis for the finding or findings expressed in the practitioner’s report but need not perform additional procedures outside the scope of the engagement to gather additional evidence.</p>	
<p><del>.19</del> While procedures may be developed or evolve over the course of the engagement, the practitioner should not perform procedures that are amended for the purpose of eliminating exceptions in testing.</p>	
<p><b>Using the Work of a Practitioner’s External Specialist</b></p>	<p><b>Using the Work of a Practitioner’s External Specialist (Ref: par. <del>.17-20</del>)</b></p>
<p><del>.17-20</del> The practitioner, <del>and the engaging party, and, when applicable, specified parties</del> should explicitly agree to the involvement of a practitioner’s external specialist if assisting a practitioner in the performance of an agreed-upon procedures engagement. (Ref: par. <del>.A23A25-.A25A27</del>)</p>	<p><del>.A23-A25</del> The practitioner’s education and experience enable the practitioner to be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, it may be appropriate to involve a practitioner’s external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances:</p> <ul style="list-style-type: none"> <li>• An attorney who helps with the interpretation of legal terminology in laws, regulations, rules, contracts, or grants</li> <li>• A medical specialist who assists with understanding the characteristics of diagnosis codes documented in patient medical records</li> <li>• An environmental engineer who assists with the interpretation of environmental remedial action regulatory directives that may affect the procedures applied to an environmental liabilities account in a financial statement</li> <li>• A geologist who helps distinguish between the physical characteristics of a generic minerals group related to information to which the procedures are applied</li> </ul>

**Commented [MG19]:** Pursuant to PwC comment letter.

PwC subsequently stated that they would prefer this be in application guidance but, I don’t think that it fits as application as it is a prohibition on the practitioner.

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	<p><del>.A24–A26</del> The agreement regarding the involvement of a practitioner’s external specialist may be reached when agreeing upon the terms of the engagement or as part of obtaining the engaging party’s acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement.</p>
	<p><del>.A25–A27</del> A practitioner may apply procedures to the report or work product of a practitioner’s external specialist that does not constitute assistance by the external specialist to the practitioner in an agreed-upon procedures engagement. For example, the practitioner may reference information contained in a report of a practitioner’s external specialist in describing a procedure. However, it is inappropriate for the practitioner to merely read the external specialist’s report solely to describe or repeat the findings or to take responsibility for all or a portion of any procedures performed by a practitioner’s external specialist or the external specialist’s work product.</p>
<p><del>.18–21</del> The practitioner’s report should describe the nature of the assistance provided by the practitioner’s external specialist.</p>	
<p><b>Using the Work of Internal Auditors or Other Practitioners</b></p>	<p><b>Using the Work of Internal Auditors or Other Practitioners (Ref: par. <del>.1922</del> and par. <del>.28</del>)</b></p>
<p><del>.19–22</del> The procedures to be enumerated or referred to in the practitioner’s report should be performed entirely by the engagement team or other practitioners. (Ref: par. <del>.A26A28–.A28A30</del>)</p>	<p><del>.A26–A28</del> Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner’s use in performing the procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.</p>
	<p><del>.A27–A29</del> A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may do the following:</p> <ul style="list-style-type: none"> <li>• Repeat all or some of the procedures</li> </ul>

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	<ul style="list-style-type: none"> <li>Determine whether the internal auditors' documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors</li> </ul> <p><del>.A28-A30</del> It is inappropriate for the practitioner to do the following:</p> <ul style="list-style-type: none"> <li>Merely read the internal auditors' report solely to describe or repeat their findings</li> <li>Take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner's own</li> <li>Report in any manner that implies shared responsibility for the procedures with the internal auditors</li> </ul>
<p><b>Appropriateness of the Procedures Performed</b></p> <p><del>.20-23</del> Prior to the issuance of the practitioner's agreed-upon procedures report, the practitioner should obtain a written acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement. (Ref: par. <del>.A13 and .A29A31-.A30A32</del>)</p> <p><del>.21-24</del> If the engaging party refuses to provide the written acknowledgment required by paragraph <del>.2023</del>, the practitioner should withdraw from the engagement.</p>	<p><b>Appropriateness of the Procedures Performed (Ref: par. <del>.20-23 and .2528</del>)</b></p> <p><del>.A29-A31</del> The practitioner's communication with the engaging party enables the engaging party, if not already aware, to be made aware of the specific procedures performed and affords the engaging party an opportunity to suggest alternative or additional procedures that the engaging party may feel are appropriate in order to meet the purpose of the engagement.</p> <p><del>.A30-A32</del> The written acknowledgment of the appropriateness of the procedures performed may be documented in the engagement letter, an addendum to the engagement letter, a representation letter, or some other written communication.</p>
<p><b>Findings</b></p> <p><del>.22-25</del> A practitioner should present the results of applying procedures to specific subject matter in the form of findings. (Ref: par. A33)</p>	<p><b>Findings (Ref: par. <del>.2325-.2427</del>)</b></p> <p><del>.A33</del> Findings are the factual results of procedures performed. Findings are capable of being objectively verified and objectively described, which means that different practitioners performing the same procedures are expected to arrive at the same results. Accordingly, findings exclude opinions or conclusions in any form as well as any recommendations that the practitioner may make.</p>

**Commented [MG20]:** Taken from paragraph 13(f) of the ISRS 4400 ED (definitions section). The "which means..." phrase is from paragraph .A10 of that ED.

This is not included as a defined term in the draft SSAE as it would be the only definition and seems odd.

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<p><del>.23-26</del> The practitioner should report all findings from application of the procedures. Any specified materiality limits should be described in the practitioner’s report. (Ref: par. <del>.A31-A34</del> and <del>.A43A44</del>)</p> <p><del>.24-27</del> In reporting findings, the practitioner should (Ref: par. <del>.A35A38-.A39</del>)</p> <ul style="list-style-type: none"> <li>a. not use vague or ambiguous language. (Ref: par. <del>.A32A35</del>)</li> <li>b. not include terms of uncertain meaning. (Ref: par. <del>.A33A36</del>)</li> <li>c. not express an opinion or conclusion about whether the subject matter is in accordance with (or based on) the criteria. (Ref: par. <del>.A34A37</del>)</li> </ul>	<p><del>.A31-A34</del> An example of language that describes a materiality limit is as follows: “For purposes of performing these procedures, no exceptions were reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed.”</p> <p><del>.A32-A35</del> To avoid vague or ambiguous language, the findings are described at a level of specificity sufficient for a user to understand the nature, timing, and extent of the procedures and findings.</p> <p><del>.A33-A36</del> If, in the practitioner’s judgment, certain terms are potentially uncertain in meaning, the practitioner may consider whether a glossary is appropriate in the circumstances.</p> <p><del>.A34-A37</del> An example of language that should not be used in reporting findings is as follows: “Nothing came to our attention that caused us to believe that the subject matter is not in accordance with (or based on) the criteria, in all material respects.”</p> <p><del>.A35-A38</del> The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain procedures.</p>		
	<b>Appropriate Procedures</b>	<b>Description of Findings</b>	<b>Inappropriate Description of Findings</b>
	Inspect the shipment dates for a sample (agreed upon) of specified shipping documents and determine whether any such dates were subsequent to [date].	No shipment dates shown on the sample of shipping documents were subsequent to [date].	Nothing came to my attention as a result of applying that procedure.

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	Recalculate the number of blocks of streets paved during the year ended [date], shown on contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics as of [date].	The number of blocks of streets paved in the chart of performance statistics was Y blocks more than the number calculated from the contractors' certificates of project completion.	The number of blocks of streets paved approximated the number of blocks included in the chart of performance statistics.
	Recalculate the rate of return on a specified investment (according to an agreed-upon formula) and determine whether the resultant percentage agrees to the percentage in an identified schedule.	No exceptions were found as a result of applying the procedure.	The resultant percentage approximated the predetermined percentage in the identified schedule.
	Inspect the quality standards classification codes in identified performance test documents for products produced	All classification codes inspected in the identified documents were the same as those shown in the computer	All classification codes appeared to comply with such performance documents.

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	during [ <i>specified period</i> ]; compare such codes to those shown in the [ <i>identified</i> ] computer printout for [ <i>specified period</i> ] as of [ <i>date</i> ].	printout, except for the following: [ <i>List all exceptions.</i> ]	
	Trace all outstanding checks appearing on a bank reconciliation as of [ <i>date</i> ] to checks cleared in the bank statement of the subsequent month. 2.	All outstanding checks appearing on the bank reconciliation were traced to the list of cleared checks in the subsequent month's bank statement, except for the following: [ <i>List all exceptions.</i> ]	Nothing came to my attention as a result of applying the procedure.
	Compare the amounts of the invoices included in the "over 90 days" column shown in an identified schedule of aged accounts receivable of a specific customer as of [ <i>date</i> ] to the amount and invoice date shown on the corresponding outstanding invoice.	All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over 90 days" column, and the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.	The outstanding invoice amounts agreed within approximation of the amounts shown on the schedule in the "over 90 days" column, and nothing came to our attention that the dates shown on such outstanding invoices preceded the date indicated on the

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	Determine whether the dates on the corresponding outstanding invoices precede the date indicated on the schedule by more than 90 days.		schedule by more than 90 days.
	Obtain from XYZ Company [ <i>personnel specified by management</i> ], the [ <i>date</i> ] bank reconciliations. Confirm with the bank the cash on deposit as of [ <i>date</i> ]. Compare the balance confirmed by the bank to the amount shown on the bank reconciliations.	Obtained from XYZ Company [ <i>personnel specified by management</i> ], the [ <i>date</i> ] bank reconciliations. Obtained bank confirmations of the cash on deposit as of [ <i>date</i> ]. Compared the balance confirmed by the bank to the amount shown on the bank reconciliations. [ <i>List all exceptions.</i> ]	No exceptions were identified in the confirmations received, and nothing came to our attention as a result of applying the procedures.
	<p><u>.A39 When a procedure is written in sufficient detail, the finding may be very brief because the practitioner does not need to repeat the procedure in describing the result. When there are no exceptions, common descriptions of results are the following:</u></p> <ul style="list-style-type: none"> <li>• <u>No exceptions were noted.</u></li> <li>• <u>No exceptions were [noted/found/identified] as a result of applying the procedure.</u></li> </ul>		

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It is acceptable to repeat part of the procedure in the finding, such as in the following examples:

- No shipment dates shown on the sample of shipping documents were subsequent to [date].
- All outstanding invoice numbers, dates, and amounts agreed with the corresponding fields on the “over 90 days” column of the schedule.

If the practitioner identifies exceptions in applying the procedures, the report states them and provides some detail about the item or items involved, such as in the following examples:

- We found 14 out of the 15 items to be in agreement; the address on one item on the schedule did not agree to the [source document].
- The amount recalculated as a result of performing the procedure was \$xxx, which did not agree with the amount of \$yyyy on the [describe supporting document].
- Of the 30 selections made, two [insert attribute, such as amounts, dates, names] did not agree from the [describe the supporting documentation] to the [describe the supporting documentation].

A finding written to appear to be a representation of fact or a conclusion would not be appropriate, such as in the following examples:

- A result stating, “We determined the current ratio of X Company at December 31, 20X4, was 2:1,” could be considered a representation of fact and is not appropriate. An appropriate description of the result could be stated as, “We recalculated the current ratio of X Company at December 31, 20X4, as 2:1.”

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- A result stating, “We have [observed/found/determined] the net sales of X Company for the year 20X4 were \$X,” could be considered a representation of fact and is not appropriate. An appropriate description of the result could be stated as, “We recalculated the net sales of X Company for the year 20X4 based on totaling the list of invoices in the sales journal as \$X.”

Additionally, terms that might be construed as communicating assurance—such as “reasonable” or “adequate,” or that the results of applying the procedure were “close enough”—would not be appropriate. For example, it is inappropriate to state the following:

- The [number of blocks of streets paved] per the [supporting documentation] approximated the [number of blocks of streets paved] included in the chart of performance statistics for the year ended [date].
- All [classification codes] appear to comply with the requirements in the contract.

Terms such as “minor,” “immaterial,” “material,” or “significant,” unless the measures of relevance comprehended by such terms are clearly defined in both the engagement letter and the practitioner’s report, are not appropriate for use in expressing results of procedures. It is also inappropriate to word a finding to convey negative assurance. For example, it is inappropriate to state the following:

- Nothing came to our attention as a result of applying the procedure.
- Nothing came to our attention that caused us to believe that [the subject matter] is not presented in accordance with [the criteria].

**Commented [MG21]:** From the Selected Procedures ED.

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<b>Written Representations</b>	<b>Written Representations (Ref: par. .2528)</b>
<p><del>.25-28</del> The practitioner should request from the <del>appropriate engaging party</del> written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. <del>.A30-A32</del> and <del>.A36A40</del>)</p> <p>a. <del>If not obtained as part of the agreed upon terms of the engagement as required by paragraph .13d,</del> State that the responsible party is responsible for the subject matter <del>in accordance with (or based on) the criteria.</del></p> <p>b. State that <del>the appropriate party</del> it has provided the practitioner with all relevant information and access, as applicable, as agreed upon in the terms of the engagement.</p> <p>c. State that all known matters contradicting the subject matter <del>or assertion</del> and any communication from regulatory agencies or others affecting the subject matter <del>or assertion</del> have been disclosed to the practitioner, including communications received between the end of the period addressed by the subject matter and the date of the practitioner's report.</p> <p>d. State that it is not aware of any material misstatements in the subject matter.</p> <p>e. State that it has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter.</p> <p>ff. Include any additional representations that the practitioner determines are appropriate. (Ref: par. <del>.A37</del>)</p>	<p><del>.A36-A40</del> Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the engaging party. The person from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the engaging party, which may vary by entity, reflecting influences such as size and ownership characteristics.</p> <p><del>.A37</del> Additional representations that the practitioner may determine are appropriate may include the appropriate party acknowledging its responsibility for</p> <p>a. selecting the criteria, when applicable, and</p> <p>b. determining that such criteria are appropriate for the responsible party's purposes.</p>

- Commented [MG22]:** Required representations are consistent with paragraph .28 from extant – except for the exclusion of a representation regarding the responsible party's assertion and selecting of criteria/determining appropriateness of criteria.
- Commented [MG23]:** Consistent with paragraph .29a from extant.

That paragraph reads:  
"acknowledge that the responsible party is responsible for the subject matter and assertion."

Properly excluded the assertion.
- Commented [MG24]:** This is not included in paragraph .29 of extant but the following is included in paragraph .28d from extant (responsibilities of the RP).

That paragraph reads:  
"state that it has provided the practitioner with access to all records relevant to the subject matter and the agreed-upon procedures."
- Commented [MG25]:** This is not included in paragraph .29 of extant but is consistent with paragraph .28d of extant (responsibilities of the RP). Properly excluded references to the assertion.
- Commented [MG26]:** Consistent with paragraph .29d from extant. Properly excludes "or assertion" from the end of the sentence.
- Commented [MG27]:** Consistent with paragraph .29e of extant. Properly excludes "or assertion" from the end of the sentence.
- Commented [MG28]:** Consistent with paragraph .29f of extant which reads:  
"address other matters as the practitioner deems appropriate."

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<p><del>.26-29</del> When the engaging party is not the responsible party, the practitioner should <u>consider</u> requesting <u>the</u> written representations <u>pursuant to paragraph .28</u> from <del>both</del> the responsible party <del>and the engaging party</del>, as applicable in the <u>form of a letter addressed to the practitioner</u>. (Ref: par. <del>.A38</del>)</p>	<p><del>.A38</del> When the engaging party is not the responsible party, an example of a written representation the practitioner may request from the engaging party is an acknowledgment that the responsible party is responsible for the subject matter.</p>
<p><del>.27-30</del> The date of the written representations should be as of the date of the practitioner’s report. The written representations should address the subject matter and periods covered by the practitioner’s findings.</p>	
<p><b>Requested Written Representations Not Provided or Not Reliable</b></p>	<p><b>Requested Written Representations Not Provided or Not Reliable (Ref: par. <del>.28e31c</del>)</b></p>
<p><del>.28-31</del> When one or more of the requested written representations <del>required by</del><u>pursuant to</u> paragraphs <del>.24-28-29</del> are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. <del>.A39- .A40A41</del>)</p> <ol style="list-style-type: none"> <li>a. Discuss the matter with the appropriate party</li> <li>b. Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.</li> </ol>	<p><del>.A39- A41</del> Circumstances in which the practitioner may be unable to obtain requested written representations include, for example, when</p> <ul style="list-style-type: none"> <li>• the engaging party does not have a relationship with the responsible party and</li> <li>• the agreed-upon procedures engagement is undertaken against the wishes of the responsible party, for example when required by law or regulation.</li> </ul> <p>In these or similar circumstances, the practitioner may need to reconsider whether the responsible party is able to take responsibility for the subject matter.</p> <p><del>.A40</del> In some circumstances (for example, when the engaging party is not the responsible party), when one or more of the requested written representations are not provided by the responsible party, the practitioner may determine, after performing the procedures in paragraph <del>.28a- b</del>, that an oral representation may provide a portion of the evidence needed with respect to the matter addressed by the representation.</p>

**Commented [MG29]:** Only the representations from paragraph .28a, b, c, and f were required in extant. PwC commented that since this is a “consider” requirement that all of the representations from paragraph .28 could apply.

**Commented [MG30]:** Wording change pursuant to PwC comment that paragraph .29 does not require representations – just a “should consider.”

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<p>c. If any of the matters are not resolved to the practitioner’s satisfaction, take appropriate action, including determining the possible effect on the practitioner’s agreed-upon procedures report. (Ref: par. <del>.A41A42</del>)</p>	<p><del>.A41-A42</del> Although it is expected that the practitioner will be able to obtain all the requested written representations from the engaging party <u>or the responsible party, as appropriate, pursuant to paragraphs .28-.29</u>, appropriate actions the practitioner might consider in the circumstances described in paragraph <del>.28e-31c</del> include the following:</p> <ul style="list-style-type: none"> <li>a. Determining the effect on the practitioner’s report, including whether to restrict the use of the practitioner’s report or whether to disclose in the practitioner’s report that the engaging party or the responsible party did not provide one or more of the requested written representations</li> <li>b. Withdrawing from the engagement</li> </ul>
<p><b>Preparing the Practitioner’s Report</b></p>	<p><b>Preparing the Practitioner’s Report (Ref: par. <del>.2326</del>, <del>.2932</del>, and <del>.3134</del>)</b></p>
<p><del>.29-32</del> The practitioner’s report should be in writing. (Ref: par. <del>.A42A43</del>)</p>	<p><del>.A42-A43</del> This section does not require a standardized format for reporting on all agreed-upon procedures engagements. Instead, it identifies the basic elements that the report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, boldface text), and other mechanisms to enhance the clarity and readability of the report.</p>
<p><del>.30-33</del> The practitioner’s report should be in the form of procedures and findings.</p>	
<p><del>.31-34</del> If, as a result of performing procedures, the practitioner determines that the description of the procedures performed or the corresponding findings, in the practitioner’s professional judgment, are misleading in the circumstances of the engagement, the practitioner should discuss the matter with the engaging party and take appropriate action. (Ref: par. <del>.A43A44-.A44A45</del>)</p>	<p><del>.A43-A44</del> Findings may be misleading, for example, if the responsible party revises the subject matter as a result of initial findings from procedures performed, and the findings to be expressed in the report do not indicate that the subject matter was changed. In such instances, the findings may indicate that the subject matter was revised as a result of initial findings from the procedures performed</p>

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	<p>and that there are no findings with respect to the revised subject matter.</p> <p><del>.A44</del><del>A45</del> Appropriate actions that the practitioner might consider in the circumstances described in paragraph <del>.31</del><del>34</del> include</p> <ol style="list-style-type: none"> <li>a. performing revised procedures,</li> <li>b. rewording a procedure or a finding, or</li> <li>c. withdrawing from the engagement.</li> </ol>
Content of the Practitioner’s Agreed-Upon Procedures Report	Content of the Practitioner’s Agreed-Upon Procedures Report
<p><del>.32</del><del>35</del> The practitioner’s agreed-upon procedures report should include the following:</p> <ol style="list-style-type: none"> <li>a. <del>A title that clearly indicates that the report is an agreed-upon procedures report and that includes the word independent to clearly indicate that it is the report of an independent accountant.</del> (Ref: par. <del>.A45</del><del>A46</del>)</li> <li>b. An appropriate addressee as required by the circumstances of the engagement.</li> <li>c. Identification of <del>i.</del> the subject matter to which the procedures have been applied. (Ref: par. <del>.A46</del><del>A47</del>)</li> <li><del>d. ii.</del> <del>Identification of</del> the engaging party.</li> </ol>	<p><i>Title (Ref: par. <del>.32a</del><del>35a</del>)</i></p> <p><del>.A45</del><del>A46</del> A title indicating that the practitioner’s report is <del>an agreed-upon procedures report and is the report of</del> an independent practitioner (for example, “Independent Practitioner’s <del>Agreed-Upon Procedures Report,</del>” “<del>Agreed-Upon Procedures Report of Independent Certified Public Accountant,</del>” or “Independent Accountant’s <del>Agreed-Upon Procedures Report</del>”) <del>makes clear that the report is not an examination or a limited assurance attestation report and</del> affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others. <del>The practitioner may use an appropriate descriptive term such as agreed upon, specified, or selected in describing the nature of the procedures performed.</del></p> <p><i>Identification of the Subject Matter to Which the Procedures Have Been Applied (Ref: par. <del>.32e</del><del>35c</del>)</i></p> <p><del>.A46</del><del>A47</del> A practitioner may be asked to apply procedures to more than one subject matter. In these engagements, the practitioner may</p>

**Commented [MG31]:** PwC’s comment letter suggested that this paragraph be deleted if not further clarified in terms of what scenarios might arise. This was an important application paragraph for one ASB member in particular.

**Commented [MG32]:** This consistent with extant paragraph .39a. Also addresses Task Force’s concern about titling.  
Note: The ED-4400 requirement is “a title that clearly indicates that the report is an agreed-upon procedures report.”

**Commented [MG39]:** Deleted reference to “Agreed-Upon Procedures” in illustrative report titles for consistency with extant.

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e. Identification of the responsible party including a statement that the responsible party is responsible for the subject matter.~~and~~

issue one practitioner’s report that refers to all subject matter covered. AT-C section 315 contains an example of language that may be used in the introductory paragraph to address such circumstances.<sup>4</sup>

*Description of the Intended Purpose of the Agreed-Upon Procedures Engagement (Ref: par. ~~32~~35civ)*

f. ~~ii.~~ Identification of the intended purpose of the engagement in sufficient detail to enable the reader to understand the nature of the work performed. (Ref: par. ~~A47~~A48)

~~A47~~ A48 Because the practitioner is precluded from expressing an opinion or conclusion, it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was prepared or is stated in accordance with specified criteria or that the practitioner performed the engagement to conclude whether the entity complied with specified criteria.

dg. A statement that the procedures performed were those agreed to by the engaging party and that engaging party has acknowledged the appropriateness of the procedures to meet the intended purpose of the engagement and one of the following:

- 1) A statement that no other party acknowledged the appropriateness of the procedures;
- 2) An identification of any other parties who agreed to and acknowledged the appropriateness of the procedures for their purposes and a statement that these parties have acknowledged that the procedures performed are appropriate for their purposes;  
or
- 3) A statement that the procedures are specified in a contract, law, or regulation and a reference to the contract, law, or regulation that clearly indicates that additional parties are parties to the contract, law, or regulation.

**Commented [MG33]:** Broke out into separate elements pursuant to PwC comment letter (and for consistency with extant).

<sup>4</sup> Paragraph .A32 of AT-C section 315, *Compliance Attestation*.

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<p><del>h.</del> A statement that the <del>agreed-upon procedures</del>practitioner's report may not be suitable for any other purpose. (Ref: par. <del>.A48</del>A49)</p> <p><del>i.</del> <del>If applicable, a statement that the practitioner makes no representation regarding the appropriateness of the procedures either for the purpose for which the report has been requested or for any other purpose.</del></p> <p><del>ej.</del> <del>A statement that the procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as such, users are responsible for determining whether the procedures performed are appropriate for their intended purpose.</del> <del>A description of the agreed-upon procedures engagement stating the following:</del></p> <p><del>k.i.</del> <del>A statement that</del> <del>An</del> agreed-upon procedures engagement involves the practitioner performing <del>the specific</del> procedures that the engaging party has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed. (Ref: par. <del>.A49</del>)</p> <p><del>ii.</del> <del>The engaging party has acknowledged that the procedures performed were appropriate for the intended purpose of the engagement.</del> (Ref: par. <del>.A50</del> .A51)</p> <p><del>fl.</del> <del>A description list</del> of the procedures performed <del>(or reference thereto)</del> detailing the nature and extent, <del>and if applicable, the timing,</del> of each procedure.</p> <p><del>gm.</del> A description of the findings from each procedure performed, including sufficient details on exceptions found.</p>	<p><del>Limitations on Items of Interest and Needs of Users</del><del>Practitioner's Report</del> <del>Not Suitable for Any Other Purpose</del> (Ref: par. <del>.32d</del>35h)</p> <p><del>.A48</del> <del>A49</del> The practitioner may advise potential users regarding inappropriate uses of the practitioner's agreed-upon procedures report. For example, the practitioner may advise that the report is not intended for making investment decisions or for use by potential lenders or investors.</p> <p><del>Description of the Agreed-Upon Procedures Engagement</del> (Ref: par. <del>.32e</del>)</p> <p><del>.A49</del> If the nature of the engagement is such that either the engaging party or other parties accept responsibility for the sufficiency of the procedures, the report may identify those parties and include a statement that the sufficiency of the procedures is solely the responsibility of such parties and that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose.</p> <p><del>Acknowledgment of the Appropriateness of the Procedures</del> (Ref: par. <del>.32e</del>)</p> <p><del>.A50</del> If applicable, the practitioner may disclose that parties in addition to the engaging party have acknowledged that the procedures performed were appropriate for their intended purposes.</p> <p><del>.A51</del> The practitioner is neither required to make, nor is precluded from making, an explicit statement that the practitioner makes no representation regarding the appropriateness of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose.</p>

Commented [MG40]: Pursuant to PwC comment.

Commented [MG34]: Revised pursuant to PwC comment and for consistency with extant.

Commented [MG35]: Added pursuant to suggestion in several comment letters.

Commented [MG36]: Revised for consistency with ED-4400.

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~~hi.~~ ~~When~~ If applicable, a description of any specified materiality limits.

~~h0.~~ A statement that  
i. the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

~~hi2.~~ A statement that the practitioner was not engaged to and did not conduct an examination or ~~limited assurance attestation engagement review~~, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. (Ref: par. ~~A52A50~~)

~~hi3.~~ A statement that the practitioner does not express such an opinion or conclusion.

~~hi4.~~ A statement that had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported.

~~js.~~ A statement that the practitioner is ~~required to be independent of the entity and to meet and has fulfilled~~ the practitioner's other ethical responsibilities, in accordance with ~~the~~ relevant ethical requirements relating to the agreed-upon procedures engagement. (Ref: par. ~~A53A51-A54A52~~)

~~kt.~~ If applicable, ~~A~~a description of the nature of the assistance provided by a practitioner's external specialist, as discussed in paragraphs ~~1720-1821, if applicable~~.

*Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. ~~.32ii35p~~)*

~~A52-A50~~ If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner's report might, instead, state that the procedures do not constitute an audit (or a review) of financial statements or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the financial statements or a part thereof.

*Relevant Ethical Requirements (Ref: par. ~~.32j35s~~)*

~~A53-A51~~ Relevant ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA Code of Professional Conduct applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).

~~A54-A52~~ Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States) or refer to a term that appropriately describes those sources.

*Limitations on Procedures or Findings (Ref: par. ~~.32i35u~~)*

**Commented [MG37]:** Pursuant to PwC comment, broke up into separate lettered requirements.

**Commented [MG38]:** Revised to be consistent with final AU-C section 700.

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<p><del>4u.</del> <del>When-If</del> applicable, limitations on procedures or findings. (Ref: par. <del>.A55A53</del>)</p> <p><del>#v.</del> The manual or printed signature of the practitioner’s firm.</p> <p><del>#w.</del> The city and state where the practitioner practices. (Ref: par. <del>.A56A54</del>)</p> <p><del>ex.</del> The date of the report. The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that</p> <ol style="list-style-type: none"> <li>i. the attestation documentation has been reviewed, and</li> <li>ii. if applicable, the written presentation of the subject matter has been prepared.</li> </ol>	<p><del>.A55-A53</del> Examples of limitations on procedures or findings may include the following:</p> <ul style="list-style-type: none"> <li>• Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of procedures</li> <li>• Description of the condition of records, controls, or data to which the procedures were applied</li> <li>• Explanation that the practitioner has no responsibility to update the practitioner’s report</li> <li>• Explanation that the sample may not be representative of the population</li> </ul> <p><i>Location (Ref: par. <del>.32a350</del>)</i></p> <p><del>.A56-A54</del> In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country. The city and state where the practitioner practices may be indicated on letterhead that contains the issuing office’s location.</p>
<p><b>Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report</b></p>	<p><b>Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report (Ref: par. <del>.3336-.3437</del>)</b></p>
<p><del>.33-36</del> <del>In the following circumstances, †The practitioner, utilizing professional judgment, should consider whether to</del>’s agreed-upon procedures report should</p>	<p><del>.A57-A55</del> Based on the circumstances of the engagement, the practitioner may consider it appropriate to include an alert, in a separate paragraph, that restricts the use of the practitioner’s agreed</p>

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include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report. (Ref: par. ~~.A57-A55-.A59-A57~~)

- ~~a. The engaging party or other party prescribes the procedures for the practitioner to perform and precludes the practitioner from performing or designing additional procedures.~~
- ~~b. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.~~
- ~~c. The criteria used to evaluate the subject matter are available only to the specified parties.~~

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upon procedures report. Examples of situations in which the practitioner, utilizing professional judgment, may determine to include an alert, in a separate paragraph, that restricts the use of the practitioner's agreed-upon procedures report include, but are not limited to, the following:

- When agreed-upon procedures are performed on compliance with aspects of contractual agreements, the practitioner may determine to restrict the use of the report to the parties to the contract or agreement.
- When agreed-upon procedures are performed to comply with regulatory requirements, the practitioner may determine to restrict the use of the report to the engaging party and the regulator.
- When agreed-upon procedures are performed relating to certain subject matter (for example, subject matter addressed in the AT-C section 300 series).
- When the procedures that the practitioner is engaged to perform are prescribed and the practitioner does not have the ability to perform or design additional procedures, the practitioner may determine to restrict the use of the report to those parties that prescribed the procedures.

~~A practitioner's report for which the conditions in paragraph .33 do not apply need not include an alert that restricts its use. However, nothing precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.~~

~~.A58-A56 A practitioner's report that is required by paragraph .33 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner's report that is for general use. The inclusion of the separate restricted-use report does not affect~~

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~~the intended use of the general-use report nor does the inclusion of the general-use report affect the intended use of the restricted-use report. The restricted-use report remains restricted as to use and the general-use report continues to be for general-use. In such circumstances, the use of the general use report is not affected.~~

~~.A59–A57~~ A practitioner may also issue a single combined practitioner's report that includes (a) a practitioner's report that ~~is required by paragraph .33 to~~ includes an alert that restricts its use and (b) a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report ~~required by paragraph .33 to~~ that includes ~~such an~~ that includes an alert that restricts its use. In such circumstances, the use of the general use report is not affected.

~~.A58~~ Law or regulation may require that a practitioner's agreed-upon procedures report be made available to the public as a matter of public record and the engaging party may otherwise distribute the report to parties other than those specified in the alert that restricts the use of the practitioner's agreed-upon procedures report. A practitioner is not responsible for controlling, and cannot control, distribution of the practitioner's agreed-upon procedures report after its release. The alert that restricts the use of the practitioner's agreed-upon procedures report is designed to avoid misunderstandings related to the use of the practitioner's agreed-upon procedures report, particularly if the practitioner's agreed-upon procedures report is taken out of the context in which the practitioner's agreed-upon procedures report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the practitioner's agreed-upon procedures report is not intended for distribution to parties other than those specified in the practitioner's agreed-upon procedures report. The practitioner may, in connection with

**Commented [MG41]:** Language from paragraph 2.79 of the SSARs Guide (with respect to compilation reports).

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establishing the terms of the engagement, reach an understanding with the engaging party that the intended use of the practitioner's agreed-upon procedures report will be restricted and may obtain the engaging party's agreement that the engaging party and specified parties will not distribute such practitioner's agreed-upon procedures report to parties other than those identified therein.

- ~~.3437~~ The alert should do the following:
- a. State that the practitioner's report is intended solely for the information and use of the specified parties.
  - b. Identify the specified parties for whom use is intended. (Ref: par. ~~.A60A59~~-.~~A61A60~~)
  
  - c. State that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. ~~.A62A61~~-.~~A64A62~~)

~~.A60~~-~~A59~~ The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX, to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

~~.A61~~-~~A60~~ Subsequent to the completion of the engagement, the practitioner may be requested by the engaging party to consider the addition of another party as a specified party. The practitioner may agree to add another party as a specified party, based on consideration of such factors as the identity of that party and the intended use of the practitioner's report. If the additional party is added after the practitioner has issued the report, the report may be reissued, or the practitioner may provide other written acknowledgment that the additional party has been added as a specified party.

~~.A62~~ In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner is required to alert users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.

~~.A63~~-~~A61~~ The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party (and possibly with the specified parties) that the intended use of the report will be restricted and may obtain the engaging party's agreement that

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	<p>the engaging party and specified parties will not distribute such report to parties other than those identified therein. A practitioner cannot control, and is not responsible for controlling, distribution of the report after its release.</p> <p><del>.A64</del> <del>A62</del> In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.</p>
<p><b>Restrictions on the Performance of Procedures</b></p> <p><del>.35</del> <del>38</del> When circumstances impose restrictions on the performance of the procedures, the practitioner should discuss with the engaging party whether those restrictions are appropriate and, if the restrictions are appropriate, describe the restrictions in the practitioner's report.</p>	
<p><b>Knowledge of Matters Outside Procedures</b></p> <p><del>.36</del> <del>39</del> Although the practitioner need not perform procedures beyond the procedures acknowledged by the engaging party to be appropriate for the intended purpose of the engagement, if in connection with the application of the procedures, and through the completion of the engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and take appropriate action, including determining whether the practitioner's report should be revised to disclose the matter. (Ref: par. <del>.A65</del> <del>A63</del>-.<del>A66</del> <del>A64</del>)</p>	<p><b>Knowledge of Matters Outside Procedures (Ref: par. <del>.36</del> <del>39</del>)</b></p> <p><del>.A65</del> <del>A63</del> For example, if, during the course of applying procedures regarding an entity's internal control, the practitioner becomes aware of a material weakness by means other than performance of the procedures, this matter may be included in the practitioner's report.</p>
	<p><del>.A66</del> <del>A64</del> When the practitioner applies procedures to an element, account, or item of a financial statement and has performed an audit or review of the entity's related financial statements, and the practitioner's audit or review report on such financial statements includes a departure from the standard report, the practitioner may</p>

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	include a reference to the audit or review report and the departure from the standard report in the practitioner's agreed-upon procedures report.
<b>Communication Responsibilities</b>	
<p><del>.37-40</del> The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party.</p>	
<b>Documentation</b>	<b>Documentation (Ref: par. <del>.3841</del>)</b>
<p><del>.38-41</del> The practitioner should prepare engagement documentation on a timely basis that includes the following: (Ref: par. <del>A67A65-A68A66</del>)</p> <ul style="list-style-type: none"> <li>a. The written acknowledgment from the engaging party regarding the appropriateness of the procedures performed for the intended purpose of the engagement, as required by paragraph <del>.2023</del></li> <li>b. The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following: <ul style="list-style-type: none"> <li>i. The identifying characteristics of the specific items or matters tested</li> <li>ii. Who performed the engagement work and the date such work was completed</li> <li>iii. When the engaging party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph <del>.28a31a-c</del></li> <li>iv. Who reviewed the engagement work performed and the date and extent of such review</li> </ul> </li> <li>d. The results of the procedures performed and the evidence obtained</li> </ul>	<p><del>A67-A65</del> Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time.</p> <p><del>A68-A66</del> The practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>

**.A67**

**Exhibit A — Illustrative Engagement Letters for an Agreed-Upon Procedures Engagement**

The illustrative engagement letters in this exhibit meet the applicable requirements in paragraphs .13–.14. A practitioner may use alternative language in drafting an engagement letter for an agreed-upon procedures engagement, provided that the language meets the applicable requirements in paragraphs .13–.14.

**Commented [MG42]:** Deleted the illustration in which the practitioner accepted responsibility for the appropriateness of the procedures pursuant to the ASB directive that the standard be silent with respect to such scenarios.

**Example 1: An Engagement Letter for an Engagement to Apply Agreed-Upon Procedures to a Statement of Investment Performance Statistics**

Circumstances include the following:

- The subject matter of the engagement is a statement of investment performance statistics;
- The engaging party is the responsible party;
- The practitioner will assist in the development of the procedures as part of the agreed-upon procedures engagement; and
- It is anticipated that the engaging party will be the only party that will acknowledge that the procedures performed are appropriate for the intended purpose of the engagement and that no other party will be requested to acknowledge that the procedures performed are appropriate for their purposes.

To the appropriate representative of management of XYZ Fund:<sup>1</sup>

You<sup>2</sup> have requested that we perform an agreed-upon procedures engagement on the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1.<sup>3</sup> We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

**Our Understanding of the Nature of the Engagement**

The following represents our understanding of the nature of this engagement:

<sup>1</sup> The addressee and references on the engagement letter would be those that are appropriate in the circumstances of the agreed-upon procedures engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons.

<sup>2</sup> Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *practitioner* would be used or amended as appropriate in the circumstances.

<sup>3</sup> The practitioner may include reference to other services to be performed.

- a. The intended purpose of the engagement is [identify the intended purpose of the engagement; for example, to assist users of the practitioner's report to monitor the financial performance of XYZ Fund];
- b. The agreed-upon procedures engagement is not required by any law, regulation, or contract;
- c. The procedures that we will perform are not prescribed. We will assist in the development of the procedures to be performance; and
- d. You will acknowledge that the procedures performed are appropriate for the intended purpose of the engagement and no other party will be requested to acknowledge that the procedures performed are appropriate for their purposes.

### **Our Responsibilities**

The objective of our engagement is to

- a. Apply specific procedures to the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1.
- b. Issue a written report that describes the procedures applied and our findings without providing an opinion or conclusion on the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1.
- c. Communicate further as required by our professional standards and as appropriate.

We will conduct our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and comply with the AICPA's Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

Because our engagement will not constitute an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1, we will not express such an opinion or conclusion. If we were engaged to perform additional procedures, other matters might come to our attention that we would report to you.

Our engagement cannot be relied upon to identify or disclose any misstatements in the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1, including those caused by error or fraud, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of the procedures that indicates fraud may have occurred. In addition, we will report to

you any evidence or information that comes to our attention during the performance of the procedures regarding noncompliance with laws and regulations that may have occurred.

### **Your Responsibilities**

You have the following overall responsibilities that are fundamental for our undertaking of the engagement:

- a. You are responsible for the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1:
  - b. To provide us with:
    - i. Prior to completion of the engagement, a written acknowledgment regarding the appropriateness of the procedures for [identify the intended purpose of the engagement; for example to assist users of the practitioner's report to monitor the financial performance of XYZ Fund]; and
    - ii. At the conclusion of the engagement, with a letter that confirms certain representations made to us during the engagement

### **Our Report**

We will issue a written report upon completion of the engagement. Our report will be addressed to [appropriate addressee] and will list the procedures performed and our findings. Our report will include statements that:

- a. You have acknowledged that the procedures performed are appropriate for [identify the intended purpose of the engagement; for example, to assist users of the practitioner's report to monitor the financial performance of XYZ Fund] and that the report may not be suitable for any other purpose; and
- b. No other party has acknowledged that the procedures performed are appropriate for their purposes.
- c. We do not accept any responsibility for the appropriateness of the procedures for any purpose.

We cannot provide assurance that we may not make further modifications to our report as circumstances may arise in which it is necessary for us to report certain issues or to withdraw from the engagement. If, for any reason, we are unable to complete our engagement, we will not issue a report as a result of this engagement.

You agree to include our agreed-upon procedures report in any document containing the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1 that indicates that we have performed procedures on such schedule and, prior to inclusion of the report, to ask our permission to do so.

**Other Relevant Information**

Our fees for these services. . .

*[The practitioner may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the practitioner or the entity, such as indemnification to the practitioner for liability arising from knowing misrepresentations to the practitioner by management (regulators may restrict or prohibit such liability limitation arrangements):*

*You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the [identify the subject matter] described herein except for our own intentional wrongdoing.]*

If you request us to perform additional services not contemplated or described in this engagement letter, we will provide you with a separate agreement describing those additional services and fees.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement described herein.

Sincerely yours,

\_\_\_\_\_  
*[Signature of practitioner or practitioner's firm]*

Acknowledged and agreed on behalf of XYZ Fund by:

\_\_\_\_\_  
*[Signed]*

*[Name and Title]*

\_\_\_\_\_  
*[Date]*

**Example 2: An Engagement Letter for an Engagement to Apply Agreed-Upon Procedures to Claims of Creditors**

Circumstances include the following:

- The subject matter of the engagement is the claims of creditors of XYZ Company as of May 31, 20XX;
- The engaging party is the responsible party;
- The engaging party and the Trustee of XYZ Company have prescribed the procedures for the practitioner to perform and the practitioner is precluded from performing or designing additional procedures; and
- It is anticipated that the engaging party and the Trustee of XYZ Company will be the only parties that will acknowledge that the procedures performed are appropriate for the intended purpose of the engagement and that no other party will be requested to acknowledge that the procedures performed are appropriate for their purposes.

To the appropriate representative of management of XYZ Company:<sup>4</sup>

You<sup>5</sup> have requested that we perform an agreed-upon procedures engagement on the claims of creditors of XYZ Company as of May 31, 20XX.<sup>6</sup> We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

<sup>4</sup> The addressee and references on the engagement letter would be those that are appropriate in the circumstances of the agreed-upon procedures engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons.

<sup>5</sup> Throughout this engagement letter, references to *you, we, us, management, and practitioner* would be used or amended as appropriate in the circumstances.

<sup>6</sup> The practitioner may include reference to other services to be performed.

### **Our Understanding of the Nature of the Engagement**

The following represents our understanding of the nature of this engagement:

- a. The intended purpose of the engagement is [identify the intended purpose of the engagement; for example, to assist you and the Trustee of XYZ Company regarding the financial status of XYZ Company];
- b. The agreed-upon procedures engagement is not required by any law, regulation, or contract;
- c. The procedures that we will perform were prescribed by you and the Trustee of XYZ Company and we are precluded from performing or designing additional procedures; and
- d. You and the Trustee of XYZ Company will acknowledge that the procedures performed are appropriate for the intended purpose of the engagement and no other party will be requested to acknowledge that the procedures performed are appropriate for their purposes.

### **Our Responsibilities**

The objective of our engagement is to

- a. Apply specific procedures to the claims of creditors of XYZ Company as of May 31, 20XX.
- b. Issue a written report that describes the procedures applied and our findings without providing an opinion or conclusion on the claims of creditors of XYZ Company as of May 31, 20XX.
- c. Communicate further as required by our professional standards and as appropriate.

We will conduct our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and comply with the AICPA's Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

Because our engagement will not constitute an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the claims of creditors of XYZ Company as of May 31, 20XX, we will not express such an opinion or conclusion. If we were engaged to perform additional procedures, other matters might come to our attention that we would report to you.

Our engagement cannot be relied upon to identify or disclose any misstatements in the claims of creditors of XYZ Company as of May 31, 20XX, including those caused by error or fraud, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of the procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of the procedures regarding noncompliance with laws and regulations that may have occurred.

### **Your Responsibilities**

You have the following overall responsibilities that are fundamental for our undertaking of the engagement:

- a. You are responsible for the claims of creditors of XYZ Company as of May 31, 20XX;
- b. To provide us with:
  - i. Prior to completion of the engagement, a written acknowledgment regarding the appropriateness of the procedures for [identify the intended purpose of the engagement; for example, to assist you and the Trustee of XYZ Company regarding the financial status of XYZ Company]; and
  - ii. At the conclusion of the engagement, with a letter that confirms certain representations made to us during the engagement

### **Our Report**

We will issue a written report upon completion of the engagement. Our report will be addressed to [appropriate addressee] and will list the procedures performed and our findings. Our report will include statements that:

- a. You and the Trustee of XYZ Company have acknowledged that the procedures performed are appropriate for [identify the intended purpose of the engagement; for example, to assist you and the Trustee of XYZ Company regarding the financial status of XYZ Company] and that the report may not be suitable for any other purpose; and
- b. No other party has acknowledged that the procedures performed are appropriate for their purposes.
- c. We do not accept any responsibility for the appropriateness of the procedures for any purpose.

We cannot provide assurance that we may not make further modifications to our report as circumstances may arise in which it is necessary for us to report certain issues or to withdraw from the engagement. If, for any reason, we are unable to complete our engagement, we will not issue a report as a result of this engagement.

You agree to include our agreed-upon procedures report in any document that indicates that we have performed procedures on the claims of creditors of XYZ Company as of May 31, 20XX and, prior to inclusion of the report, to ask our permission to do so.

**Other Relevant Information**

Our fees for these services. . .

*[The practitioner may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the practitioner or the entity, such as indemnification to the practitioner for liability arising from knowing misrepresentations to the practitioner by management (regulators may restrict or prohibit such liability limitation arrangements):*

*You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the [identify the subject matter] described herein except for our own intentional wrongdoing.]*

If you request us to perform additional services not contemplated or described in this engagement letter, we will provide you with a separate agreement describing those additional services and fees.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement described herein.

Sincerely yours,

\_\_\_\_\_  
[Signature of practitioner or practitioner's firm]

Acknowledged and agreed on behalf of XYZ Company by:

\_\_\_\_\_  
[Signed]

[Name and Title]

\_\_\_\_\_  
[Date]

**.A69A68**

**Exhibit B—Illustrative Practitioner’s Agreed-Upon Procedures Reports**

The illustrative practitioner’s agreed-upon procedures reports in this exhibit meet the applicable reporting requirements in paragraphs .2935–.3238. A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements in paragraphs .2935–.3238.

**Example 1: Practitioner’s Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics**

Circumstances include the following:

- The engaging party is the responsible party
- The practitioner has assisted in the development of the procedures
- No party other than the engaging party has acknowledged that the procedures are appropriate for their purposes

**Independent Accountant’s Report**

[Appropriate Addressee]

We have performed the procedures enumerated below on [identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. [The engaging party, for example, XYZ Fund] is responsible for [the subject matter].

The procedures performed were acknowledged by [the engaging party, for example, XYZ Fund] to be appropriate to meet the purpose of [identify the intended purpose of the engagement; for example to assist users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. No other party has acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as such, users are responsible for determining whether the procedures performed are appropriate for their intended purpose.

An agreed-upon procedures engagement involves our performing specific procedures that [the engaging party] has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed.

[Include paragraphs to enumerate procedures and findings.]

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

**Commented [MG43]:** To be consistent with illustrative report language in approved AU-C section 700.

[Additional paragraph(s) may be added to describe other matters.]

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

**Example 12: Practitioner's Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics**  
**Cash and Accounts Receivables; the Practitioner Has the Ability to Perform or Design Additional Procedures**

Circumstances include the following:

- The engaging party is not the responsible party
- Other than the engaging party, no other party has acknowledged that the procedures are appropriate for their purposes.

### **Independent Accountant's Report ~~on Applying Agreed-Upon Procedures~~**

[Appropriate Addressee]

We have performed the procedures enumerated below on [~~identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20XX~~ cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of ABC Company]. [~~The engaging-responsible party, for example, XYZ Fund Company~~ is responsible for [the subject matter] ~~acknowledged that the procedures performed are appropriate for the purpose of [identify the intended purpose of the engagement].~~ Our report may not be suitable for any other purpose.

The procedures performed were acknowledged by An agreed-upon procedures engagement involves our performing the procedures that [the-engaging party, for example, XYZ Fund/ABC Company] to be appropriate has acknowledged to be appropriate for to meet the purpose of [identify the intended purpose of the engagement; for example to assist users in understanding cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of ABC Company]. No other party has acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose and reporting on findings based on the procedures performed. We make no representation regarding the appropriateness of the procedures either for the purpose for which the report has been requested or for any other purpose. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as such, users are responsible for determining whether the procedures performed are appropriate for their intended purpose.

An agreed-upon procedures engagement involves our performing specific procedures that [the engaging party] has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed.

~~[Include paragraphs to enumerate procedures and findings.]~~ The procedures and the associated findings are as follows:

#### Cash

1. For the four bank accounts listed below, we obtained

- a. the December 31, 20XX, bank reconciliations from XYZ Company management and
- b. the December 31, 20XX, general ledger from XYZ Company management.

2. We performed the following procedures:

- a. Obtained a bank confirmation directly from each bank of the cash on deposit as of December 31, 20XX
- b. Compared the balance confirmed by the bank to the amount shown on the respective bank reconciliations.
- c. Mathematically checked the bank reconciliations
- d. Compared the cash balances per book listed in the reconciliations below to the respective general ledger account balances.

<u>Cash, December 31, 20XX</u>	<u>Cash Balance per Book</u>
<u>Bank</u>	
DEF National Bank, general ledger account 123	\$ 5,000
LMN State Bank, general ledger account 124	3,776
RST Trust Company regular account, general ledger account 125	86,912
RST Trust Company payroll account, general ledger account 126	5,000
	\$ 110,688

We found no exceptions as a result of the procedures.

**Accounts Receivable**

- 3. We obtained the accounts receivable aged trial balance as of December 31, 20XX, from XYZ Company (attached as exhibit A). We mathematically checked that the individual customer account balance subtotals in the aged trial balance of accounts receivable agreed to the total accounts receivable per the aged trial balance. We compared the total accounts receivable per the accounts receivable aged trial balance to the total accounts receivable per general ledger account 250.

We found no exceptions as a result of the procedures.

4. We obtained the accounts receivable subsidiary ledger as of December 31, 20XX, from XYZ Company. We compared the individual customer account balance subtotals shown in the accounts receivable aged trial balance (exhibit A) as of December 31, 20XX, to the balances shown in the accounts receivable subsidiary ledger.

We found no exceptions as a result of the procedures

5. We selected 50 customer account balances from exhibit A by starting at the eighth item and selecting every fifteenth item thereafter until 50 were selected. The sample size selected represents 9.8 percent of the aggregate amount of the customer account balances. We obtained the corresponding invoices from XYZ Company and traced the aging (according to invoice dates) for the 50 customer account balances shown in exhibit A to the details of outstanding invoices in the accounts receivable subsidiary ledger.

We found no exceptions as a result of the procedures.

6. We mailed confirmations directly to the customers representing the 150 largest customer account balance subtotals selected from the accounts receivable aged trial balance, and we received responses as indicated below. As agreed, any individual differences in a customer account balance of less than \$300 were to be considered minor, and no further procedures were performed.

Of the 150 customer balances confirmed, we received responses from 140 customers; 10 customers did not reply.

No exceptions were identified in 120 of the confirmations received. The differences in the remaining 20 confirmation replies were less than \$300.

For the 10 customers that did not reply, we traced the items constituting the outstanding customer account balance to invoices and supporting shipping documents.

A summary of the confirmation results according to the respective aging categories is as follows.

<u>Aging Categories</u>	<u>Accounts Receivable December 31, 20XX</u>		
	<u>Customer Account Balances</u>	<u>Confirmations Requested</u>	<u>Confirmations Received</u>
<u>Current</u>	<u>\$ 156,000</u>	<u>\$ 76,000</u>	<u>\$65,000</u>
<u>Past due:</u>			
<u>Less than one month</u>	<u>60,000</u>	<u>30,000</u>	<u>19,000</u>

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<u>One to three months</u>	<u>36,000</u>	<u>18,000</u>	<u>10,000</u>
<u>Over three months</u>	<u>48,000</u>	<u>48,000</u>	<u>8,000</u>
	<u>\$300,000</u>	<u>\$172,000</u>	<u>\$102,000</u>

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or ~~limited assurance attestation~~ review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [~~identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1~~]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of ABC Company and to meet and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements related to the our agreed-upon procedures engagement.

**Commented [MG44]:** To be consistent with illustrative report language in approved AU-C section 700.

[Additional paragraph(s) may be added to describe other matters.]

[Practitioner's signature]  
[Practitioner's city and state]  
[Date of practitioner's report]

**Example 3: Practitioner's Agreed-Upon Procedures Report in Connection With Claims of Creditors**

Circumstances include the following:

- The engaging party is the responsible party
- The engaging party and one specified party has prescribed the procedures for the practitioner to perform
- The practitioner is precluded from performing or designing additional procedures and has determined to restrict the use of the agreed-upon procedures report to the parties that prescribed the procedures
- The engaging party and the specified party have acknowledged that the procedures are appropriate for their purposes

### **Independent Accountant's Report**

[Appropriate Addressee]

We have performed the procedures enumerated below on [identify the subject matter, for example, the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A]. [The engaging party, for example, XYZ Company] is responsible for [the subject matter].

The procedures performed were acknowledged by [the engaging party, for example, XYZ Company] to be appropriate to meet the purpose of [identify the intended purpose of the engagement; for example to assist users in understanding the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A ]. In addition, [specified party, for example, Trustee of XYZ Company] has also acknowledged the appropriateness of the procedures for their purposes. This report may not be suitable for any other purpose. We make no representation regarding the appropriateness of the procedures either for the purpose for which the report has been requested or for any other purpose. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as such, users are responsible for determining whether the procedures performed are appropriate for their intended purpose.

An agreed-upon procedures engagement involves our performing specific procedures that [the engaging party] has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings are as follows:

1. Obtained the general ledger and the accounts payable trial balance as of May 31, 20XX, from XYZ Company. Compared the total of the accounts payable trial balance to the total accounts payable balance in general ledger account 450.

The total of the accounts payable trial balance agreed with the total accounts payable balance in the general ledger account number 450.

2. Obtained the claim form submitted by creditors in support of the amounts claimed from XYZ Company. Compared the creditor name and amounts from the claim form to the respective name and amounts shown in the accounts payable trial balance obtained in procedure 1. For any differences identified, requested XYZ Company to provide supporting detail. Compared such identified differences to the supporting detail provided.

All differences noted are presented in column 3 of Schedule A. Except for those amounts shown in column 4 of Schedule A, all such differences were agreed to [describe supporting detail].

3. Using the claim form obtained in procedure 2, compared the name and amount to invoices, and if applicable, receiving reports, provided by XYZ Company.

No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of [identify the specified parties, for example, XYZ Company and the Trustee of XYZ Company], and is not intended to be, and should not be, used by anyone other than these specified parties.

[Additional paragraph(s) may be added to describe other matters.]

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

#### **Example 4: Practitioner's Agreed-Upon Procedures Report in Which Procedures are Specified in Regulation**

Circumstances include the following:

- The engaging party is a regulator
- The procedures are prescribed in regulation
- The practitioner is precluded from performing or designing additional procedures and has determined to restrict the use of the agreed-upon procedures report to the engaging party and the regulator

**Commented [MG45]:** To be consistent with illustrative report language in approved AU-C section 700.

- The engaging party has acknowledged that the procedures are appropriate for their purposes

### **Independent Accountant's Report**

[Appropriate Addressee]

We have performed the procedures enumerated below on [identify the subject matter, for example, the financial accounts of the engaging party during the year ended December 31, 20XX]. [The engaging party] is responsible for [the subject matter].

The procedures performed were acknowledged by [the engaging party] to be appropriate to meet the purpose of [identify the intended purpose of the engagement; for example to assist users in understanding the financial accounts of the engaging party during the year ended December 31, 20XX]. The procedures are specified in [the regulation, for example, The State of XXX Legal Compliance Guide]. This report may not be suitable for any other purpose. We make no representation regarding the appropriateness of the procedures either for the purpose for which the report has been requested or for any other purpose. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users and, as such, users are responsible for determining whether the procedures performed are appropriate for their intended purpose.

An agreed-upon procedures engagement involves our performing specific procedures that [the engaging party] has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed.

[Include paragraphs to enumerate procedures and findings.]

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [identify the subject]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of [the engaging party] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of [identify the specified parties, for example the engaging party and the State of XXX], and is not intended to be, and should not be, used by anyone other than these specified parties.

[Additional paragraph(s) may be added to describe other matters.]

*[Practitioner's signature]*  
*[Practitioner's city and state]*  
*[Date of practitioner's report]*

**~~Example 2: Practitioner's Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics; the Procedures Are Prescribed in a Regulation and the Practitioner Does Not Have the Ability to Perform or Design Additional Procedures Independent Accountant's Report on Applying Agreed-Upon Procedures~~**

*{Appropriate Addressee}*

~~We have performed the procedures enumerated below on the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1. *[The engaging party]* acknowledged that the procedures performed are appropriate for *[identify the intended purpose of the engagement]*. Our report may not be suitable for any other purpose.~~

~~An agreed-upon procedures engagement involves our performing the procedures that *[the engaging party]* has acknowledged to be appropriate for the purpose of *[identify the intended purpose of the engagement]* and reporting on findings based on the procedures performed.  
*{Include paragraphs to enumerate procedures and findings.}*~~

~~This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.~~

~~We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.~~

*{Additional paragraph(s) may be added to describe other matters.}*

~~This report is intended solely for the information and use of *[the regulatory body and the engaging party]* and is not intended to be, and should not be, used by anyone other than the specified parties.~~

*[Practitioner's signature]*  
*[Practitioner's city and state]*

~~{Date of practitioner's report}~~

~~**Example 3: Practitioner's Agreed-Upon Procedures Report When the Engagement Is Required by Contract and the Engaging Party and the Other Parties to the Contract Agree to the Sufficiency of the Procedures for the Intended Purpose of the Engagement and the Practitioner Does Not Have the Ability to Perform or Design Additional Procedures**~~

~~**Independent Accountant's Report on Applying Agreed-Upon Procedures**~~

~~{Appropriate Addressee}~~

~~We have performed the procedures enumerated below on [identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. [The engaging party, for example, XYZ Fund] acknowledged that the procedures performed are appropriate for the purpose of [identify the intended purpose of the engagement]. Our report may not be suitable for any other purpose.~~

~~In addition to the engaging party [identify the other parties that have agreed to the sufficiency of the procedures] have agreed that the procedures performed are sufficient for their purposes. The sufficiency of the procedures is solely the responsibility of [the engaging party] and those other parties; and we make no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.~~

~~An agreed-upon procedures engagement involves our performing the procedures that [the engaging party, for example, XYZ Fund] has acknowledged to be appropriate for the purpose of [identify the intended purpose of the engagement] and reporting on findings based on the procedures performed.~~

~~{Include paragraphs to enumerate procedures and findings.}~~

~~This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.~~

~~We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.~~

~~{Additional paragraph(s) may be added to describe other matters.}~~

~~This report is intended solely for the information and use of [identify the specified party(ies), for example, the engaging party and the other parties that have assumed responsibility for the sufficiency of the procedures], and is not intended to be, and should not be, used by anyone other than the specified parties.~~

~~{Practitioner's signature}~~

~~{Practitioner's city and state}~~

~~{Date of practitioner's report}~~