

28 January 2022

ISCA Audit Bulletin 1

**AB 1:**  
Revised SSRS 4400, *Agreed-Upon  
Procedures Engagements*

## **About the Institute of Singapore Chartered Accountants**

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a world-class accountancy body of trusted professionals, contributing towards an innovative and sustainable economy. There are over 33,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

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ISCA is the Designated Entity to confer the Chartered Accountant of Singapore – CA (Singapore) – designation.

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## **About ISCA's Auditing and Assurance Standards Committee**

ISCA's Auditing and Assurance Standards Committee (AASC) comprises practitioner members with significant experience in the field of auditing and assurance, and public members from regulatory bodies, academia and the business sector.

AASC's terms of reference include the development of high-quality auditing and assurance standards; monitoring policy and implementation issues relating to the development of auditing and assurance standards internationally and in Singapore and giving consideration to the need for guidance; and raising public awareness and understanding of the standard setting process and the standards.

The terms of reference are executed through AASC with the support of three Sub-Committees, namely the Core Sub-Committee, the AGS 1 Sub-Committee and the Data Analytics Sub-Committee.

## Contents

1. Background.....	3
2. Scope of this Audit Bulletin (AB).....	5
3. Engagement Acceptance and Continuance.....	5
4. Professional Judgment .....	6
5. Parties involved in an AUP Engagement.....	7
6. Ethical and Independence Requirements .....	9
7. Clarity over Nature and Limitations of AUP Engagements.....	10

## 1. Background

In many jurisdictions, including Singapore, agreed-upon procedures (AUP) reports are commonly used by government agencies as part of their process in evaluating grant disbursements/compliance.

Recognising the growing demand for AUP engagements, particularly in relation to the need for increased accountability around funding and grants, SSRS 4400 (Revised) *Agreed-Upon Procedures Engagements* has been revised based on the International Standard on Related Services (ISRS) 4400 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB).

SSRS 4400 (Revised) deals with the practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement, and the form and content of the AUP report.

This revised standard is effective for AUP engagements for which the terms of engagement are agreed **on or after 1 January 2022**.

Table 1 below summarizes some of the key changes to SSRS 4400 (Revised).

**Table 1 – Summary of key changes**

Public interest issue	Key changes to revised standard
Responding to the needs of stakeholders	<ul style="list-style-type: none"> <li>• Broadening the scope of SSRS 4400 (Revised) to now include non-financial subject matters in addition to financial subject matters (paragraph 2 of SSRS 4400 (Revised)).</li> <li>• Clarification on circumstances in which the practitioner may be required to comply with independence requirements, enhancement to the application material on the practitioner's discussion and agreement with the engaging party to comply with independence requirements and reporting with respect to compliance with independence requirements (paragraphs 22(e), 24(e), 30(l), A37 and A38 of SSRS 4400 (Revised)).</li> <li>• New requirements and application material to address the use of the work of a practitioner's expert in an AUP engagement (paragraphs 20, 29, A27 and A46 to A50 of SSRS 4400 (Revised)).</li> </ul>
Providing clarity in the AUP report, by enhancing the report for clearer and more consistent language, thereby reducing confusion that may arise in practice	<ul style="list-style-type: none"> <li>• New requirements and application materials to promote the use of terminology that is clear, not misleading, and not subject to varying interpretations (paragraphs 22(c), 24(i) and A32 to A36 of SSRS 4400 (Revised)).</li> <li>• Enhanced transparency on, among others:               <ul style="list-style-type: none"> <li>- the responsibilities of the various parties involved in an AUP engagement (see <b>Section 5</b> below)</li> <li>- whether or not the practitioner is required to comply with independence requirements and if so, a statement that the practitioner has complied with the relevant independence requirements (paragraph 30(l) of SSRS 4400 (Revised)).</li> </ul> </li> </ul>

<p>Reducing inconsistency in the performance of AUP engagements</p>	<ul style="list-style-type: none"> <li>• New requirement for the practitioner to exercise professional judgement throughout the AUP engagement, including in accepting, conducting and reporting on the AUP engagement (see <b>Section 4</b> below).</li> <li>• New conditions in relation to engagement acceptance and continuance. The practitioner shall not accept or continue the engagement if the practitioner is aware of facts or circumstances that the procedures are inappropriate for the purposes of an AUP engagement.</li> </ul> <p>Among other conditions, the practitioner shall accept or continue an AUP engagement only when:</p> <ul style="list-style-type: none"> <li>- the practitioner expects to be able to obtain the information necessary to perform the AUP</li> <li>- the AUP and related findings can be described objectively, in terms that are clear, not misleading and not subject to varying interpretations.</li> </ul> <p>(See <b>Section 3</b> below)</p> <ul style="list-style-type: none"> <li>• New documentation requirements and application material (paragraphs 35 and A60 of SSRS 4400 (Revised)).</li> </ul>
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Please refer to [SSRS 4400 \(Revised\)](#) for further information.

## 2. Scope of this Audit Bulletin (AB)

This AB provides certain key considerations for practitioners applying SSRS 4400 (Revised) for AUP engagements, as well as for the users of such AUP reports.

## 3. Engagement Acceptance and Continuance

### 3.1 What is new?

The extant SSRS 4400<sup>1</sup> does not specify any conditions to be met before accepting or continuing an AUP engagement. SSRS 4400 (Revised) introduces new requirements in relation to engagement acceptance and continuance considerations, which include:

- i) Obtaining an understanding of the purpose of the engagement, and declining the engagement if the practitioner becomes aware of any facts or circumstances indicating that the procedures are inappropriate for the purpose of the engagement;
- ii) Only accepting or continuing an engagement when certain conditions are met (please refer to paragraph 22 of SSRS 4400 (Revised)); and
- iii) Communicating with the firm to which the engagement partner belongs (the firm) if the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, so that necessary action can be taken by the firm and engagement partner.

### 3.2 What are examples of facts or circumstances that indicate the procedures are not appropriate for an AUP engagement?

In obtaining an understanding of the purpose of the engagement, the practitioner needs to be alert for indications that the procedures requested are not appropriate for the purpose of an AUP engagement.

Some examples of facts or circumstances which may provide such indications include:

- The procedures are selected in a manner intended to bias the intended users' decision-making;
- The subject matter on which the AUP is performed is unreliable; and
- An assurance engagement or advisory service may better serve the needs of the engaging party or other intended users.

Where these indications exist and/or other conditions stipulated in paragraph 22 of SSRS 4400 (Revised) are not met, it is unlikely that an AUP engagement is able to meet the needs of the engaging party or other intended users. In such situations, the practitioner may consider suggesting other services, such as an assurance engagement, that may be more appropriate.

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<sup>1</sup> SSRS 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

### **Practical Considerations**

It is critical for the practitioner to consider if he/she is able to obtain the level of understanding required to perform a proper evaluation of the relevant risks and other factors before deciding to accept or continue an AUP engagement.

A practitioner who is not the auditor of the engaging party's financial statements may not have the same level of understanding of the engaging party as compared to where the practitioner is also the auditor of the engaging party's financial statements.

Accordingly, the practitioner may wish to consider this factor carefully to avoid underestimating the degree of risk or effort required in undertaking such an AUP engagement.

## **4. Professional Judgment**

### **What is new?**

SSRS 4400 (Revised) introduces a new requirement for the practitioner to exercise professional judgment throughout the AUP engagement, including in accepting, conducting and reporting on the engagement, taking into account the circumstances of the engagement.

Examples of where in an AUP engagement professional judgment is exercised include:

- Discussing and agreeing with the engaging party the nature, timing and extent of the procedures to be performed (taking into account the purpose of the engagement)
- Determining whether engagement acceptance and continuance conditions have been met
- Determining appropriate actions if the practitioner becomes aware of:
  - Facts or circumstances suggesting that the procedures are not appropriate for the purpose of an AUP engagement
  - Matters that may indicate fraud or non-compliance or suspected non-compliance with laws or regulations
  - Matters that cast doubt on the integrity of the information relevant to the AUP or that indicate that the information may be misleading
  - Procedures that cannot be performed as agreed
- Describing the findings in an objective manner and in sufficient detail, including when exceptions are found.

### **Limit to the need to exercise professional judgment**

It is recognised that the need for the practitioner to exercise professional judgment when performing an AUP engagement is limited, as:

- Procedures have been agreed upon by the practitioner and the engaging party, and the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement;
- The procedures and findings should be described objectively, in terms that are clear, not misleading, and not subject to varying interpretations; and
- The findings are capable of being objectively verified, which means that different practitioners performing the same procedures are expected to arrive at equivalent results.

## 5. Parties involved in an AUP Engagement

### 5.1 What is new?

SSRS 4400 (Revised) provides further clarity on the parties involved in an AUP engagement, as well as their responsibilities.

Engaging party	The party(ies) that engage(s) the practitioner to perform the AUP engagement
Intended users	The individual(s) or organization(s), or group(s) that the practitioner expects will use the AUP report. In some cases, there may be intended users other than those to whom the AUP report is addressed
Practitioner	The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or as applicable, the firm)
Responsible party	The party(ies) responsible for the subject matter on which the AUP is performed

### 5.2 Can the engaging party and intended user be different?

Depending on the circumstances, these parties could differ.

#### Example A

Entity X carries out certain regulated activities which fall within the oversight of Agency Y. Agency Y engages Practitioner Z to perform an AUP engagement to assist it in performing certain procedures as part of its cyclical compliance review exercise. An engagement letter is signed by both Agency Y and Practitioner Z.

In this scenario,  
 Engaging party = Agency Y  
 Intended user = Agency Y  
 Responsible party = Entity X



### Example B

Entity X is a recipient of a grant scheme administered by Agency Y. Agency Y requires its grant recipients to provide it with an AUP report, with certain stipulated procedures to be performed by a practitioner. To fulfil this requirement, Entity X engages Practitioner Z to perform an AUP engagement.

In this scenario,  
Engaging party = Entity X  
Intended user = Agency Y  
Responsible party = Entity X

It is worth noting that there may be situations where the engaging party intends to circulate the AUP report to other parties (who have not been identified as intended users of the AUP report in the engagement letter). If aware of such situations, the practitioner may wish to consider if such parties are intended users of the AUP report and how this could affect the AUP engagement. For instance, the practitioner may wish to consider adding these parties to the AUP engagement letter as intended users via an addendum. In another possible scenario, the practitioner may be aware of facts or circumstances which may suggest that an assurance engagement or advisory service could better serve the needs of such parties.

### **5.3 What are the risks to be considered when the intended user is not the engaging party?**

Where the intended user is not the engaging party, there may be a risk that the terms of the engagement and the procedures agreed upon may not serve the needs of the intended users. This may be exacerbated by the fact that the practitioner may have little to no means of communication with the intended user.

Where appropriate, the practitioner could consider obtaining an acknowledgement from the intended users on the appropriateness of the procedures for the purpose of the engagement.

In addition, as the intended user is not the engaging party, it may not be bound by the terms of the engagement. This could give rise to other professional risks for which the practitioner may consider obtaining advice from the practitioner's legal counsel.

## 6. Ethical and Independence Requirements

All practitioners will have to comply with the relevant ethical requirements in the ACRA Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) and/or Ethics Pronouncement (EP) *100 Code of Professional Conduct and Ethics* issued by ISCA (ISCA Code).

Having said that, similar with the extant standard, SSRS 4400 (Revised) does not require a practitioner to comply with independence requirements when performing AUP engagements. The ACRA Code and ISCA Code also do not contain independence requirements for AUP engagements<sup>2</sup>.

However, the practitioner and the engaging party may agree on whether the practitioner is required to comply with independence requirements and, if so, the relevant independence requirements for the purpose of the AUP engagement.

Where it has been agreed that the practitioner is required to comply with independence requirements, the AUP report shall include a statement that the practitioner has complied with the identified relevant independence requirements.

### **Practical Considerations**

Where the practitioner is also the auditor of the financial statements of the engaging party (or responsible party if different from the engaging party), there may be an assumption that the practitioner would be compliant with Part 4A of the ACRA Code or ISCA Code. Accordingly, the practitioner may agree with the engaging party that the practitioner's compliance with Part 4A of the ACRA Code or ISCA Code is appropriate for the purpose of the AUP engagement.

However, where the practitioner is **not the auditor** of the financial statements of the engaging party (or responsible party if different from the engaging party), both the practitioner and engaging party may need to carefully consider whether there is any specific independence risk associated with the AUP engagement that would require the observance of independence requirements to mitigate the risk (for example, the practitioner and engaging party may determine that the firm to which the practitioner belongs to, should not have been involved in the preparation of the subject matter).

The identified relevant independence requirements may have possible implications on other ongoing (or potential) engagements between the practitioner and the engaging party. For instance, if Part 4A of the ACRA Code or ISCA Code is identified as the relevant independence requirements, the practitioner might not be able to continue (or be precluded from) providing certain services to the engaging party.

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<sup>2</sup> Where the practitioner provides audit and/or assurance services to the engaging party, the practitioner and/or the firm which the practitioner belongs to, will need to comply with the independence standards under Part 4A and/or Part 4B of the ACRA Code or ISCA Code, in view of those services. For the purpose of the AUP engagement, however, the practitioner and the engaging party may determine whether or not any relevant independence requirements apply.

## **7. Clarity over Nature and Limitations of AUP Engagements**

In an AUP engagement, the practitioner performs procedures that have been agreed upon by the practitioner and the engaging party, where the engaging party has acknowledged that the procedures performed are appropriate for the purpose of the engagement.

The practitioner communicates the agreed-upon procedures performed and the related findings in the AUP report.

The engaging party and other intended users consider for themselves the agreed-upon procedures and findings reported by the practitioner and draw their own conclusions from the work performed by the practitioner.

An AUP is not an audit, review or assurance engagement. An AUP engagement does not involve obtaining evidence for the purpose of the practitioner expressing an opinion or an assurance conclusion in any form.

### **7.1 How do AUP procedures differ from audit or assurance procedures?**

The nature of AUP procedures may share similarities with certain audit or assurance procedures, such as the performance of inquiries, recalculations and observations, among others.

However, one key difference between AUP procedures and audit or assurance procedures is that the nature, timing and extent of procedures performed by a practitioner in an AUP engagement are clearly defined and agreed upon by both the practitioner and engaging party.

This is different from an audit or assurance engagement, where the auditor or assurance practitioner determines the nature, timing and extent of testing necessary to arrive at his/her conclusions. Unlike in an AUP engagement, users of audit or assurance reports may not have visibility of the exact procedures undertaken by the auditor or assurance practitioner.

In an AUP engagement, no other procedures are performed besides those procedures described in the terms of engagement and the AUP report. The engaging party and intended users should not assume (or expect) other procedures to be performed. The engaging party and intended users should determine whether the procedures agreed upon with the practitioner serve their purpose.

As such, it is critical for the AUP procedures to be described with terms which are clear, unambiguous and not subject to varying interpretations.

## For reference: ISCA Auditing and Assurance Pronouncements and Publications

The table below summarises the formal categorisation, degrees of authority and due process for issuance of ISCA’s auditing and assurance standards and guidance. This provides credence to ISCA’s technical content, promulgates ISCA’s views on the application of auditing and assurance standards as well as promotes best practices and consistency in auditing and assurance.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. a) Singapore Standard on Auditing ( <b>SSA</b> ) b) Singapore Standard on Assurance Engagements ( <b>SSAE</b> ) c) Singapore Standard on Review Engagements ( <b>SSRE</b> ) d) Singapore Standard on Related Services ( <b>SSRS</b> ) e) Singapore Standard on Quality Control ( <b>SSQC</b> ) f) Statement on Auditing Practice ( <b>SAP</b> )	Authoritative pronouncements	Required to comply	Public consultation required	ACRA’s Public Accountants Oversight Committee
2. a) Audit Guidance Statement ( <b>AGS</b> ) b) Singapore Auditing Practice Note ( <b>SAPN</b> )	Provide interpretive and practical guidance to auditors  Non-authoritative.	Expected to apply or explain departures	Public consultation required	ISCA Council
3. Audit Bulletin ( <b>AB</b> )	Informative/ educational publications to highlight pertinent topical issues to auditors  Non-authoritative.	For information and educational purposes	Public consultation not required	ISCA AASC

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