Appendix 2

(Ref: Para A51)

##### Illustrations of Agreed-Upon Procedures Reports

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| Illustration 1 For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:* The engaging party is the addressee and the only intended user. The engaging party is not the responsible party. For example, the regulator is the engaging party and intended user, and the entity overseen by the regulator is the responsible party.
* No exceptions were found.
* The practitioner did not engage a practitioner’s expert to perform any of the agreed-upon procedures.
* There is a restriction on the use of the report.
* There are no independence requirements with which the practitioner is required to comply.
* A quantitative threshold of $100 for reporting exceptions in Procedure 3 has been agreed with the engaging party.
* Australian inserted text highlighted in grey shade.
 |

AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressee]

###### Purpose of this Agreed-Upon Procedures Report and Restriction on Use

Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies and may not be suitable for another purpose. As required by ASRS 4400, use of this report is restricted to [individual(s), organisation(s), or group(s) that the practitioner expects will use this report]. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than [company full name and intended users] for any consequences of reliance on this report for any purpose.

###### Responsibilities of the Engaging Party and the Responsible Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Responsible Party], as identified by [Engaging Party], is responsible for the subject matter on which the agreed-upon procedures are performed.

###### Practitioner’s Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Australian Standard on Related Services ASRS 4400, *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements in [describe the relevant ethical requirements], including the fundamental principle of objectivity. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

###### Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party], on the procurement of [xyz] products.

|  | Procedures | Findings |
| --- | --- | --- |
| 1 | Obtain from management of [Responsible Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over $25,000. | We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. Of the 125 contracts on the listing, we identified 37 contracts valued at over $25,000. |
| 2 | For each identified contract valued at over $25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Responsible Party]’s “Pre-qualified Contractors List.” | We inspected the records of bidding related to the 37 contracts valued at over $25,000. We found that all of the 37 contracts were subject to bidding by at least 3 contractors from the [Responsible Party]’s “Pre-qualified Contractors List.” |
| 3 | For each identified contract valued at over $25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Responsible Party] to the contractor and determine whether the amount ultimately paid is within $100 of the agreed amount in the contract. | We obtained the signed contracts for the 37 contracts valued at over $25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Responsible Party] to the contractor.We found that the amounts ultimately paid were within $100 of the agreed amounts in all of the 37 contracts with no exceptions noted. |

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

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| --- |
| Illustration 2 For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:* The engaging party is the responsible party. The intended user, who is different from the engaging party, is an addressee in addition to the engaging party. For example, the regulator is the intended user and the entity overseen by the regulator is the engaging party and responsible party.
* Exceptions were found.
* The practitioner engaged a practitioner’s expert to perform an agreed-upon procedure and a reference to that expert is included in the agreed-upon procedures report.
* There is a restriction on the use of the report.
* The practitioner is the auditor of the financial report of the engaging party (who is the responsible party). The practitioner has agreed with the engaging party that the practitioner’s compliance with the independence requirements applicable to audits of financial reports is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner has agreed to include, in the terms of engagement, compliance with the independence requirements applicable to audits of financial reports for the purpose of the agreed-upon procedures engagement.
* The practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.
* Australian inserted text highlighted in grey shade.
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AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressees]

###### Purpose of this Agreed-Upon Procedures Report and Restriction on Use

Our report is solely for the purpose of assisting [Intended User] in determining whether the [Engaging Party]’s procurement of [xyz] products is compliant with [Intended User]’s procurement policies and may not be suitable for another purpose. Use of this report is restricted to [individual(s), organisation(s), or group(s) that the practitioner expects will use this report]. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than [company full name and intended users] for any consequences of reliance on this report for any purpose.

###### Responsibilities of the Engaging Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Engaging Party (also the Responsible Party)] is responsible for the subject matter on which the agreed-upon procedures are performed.

###### Practitioner’s Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Australian Standard on Related Services ASRS 4400, *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

*Professional Ethics and Quality Management*

We have complied with the ethical requirements in [describe the relevant ethical requirements], including the fundamental principle of objectivity and the independence requirements in accordance with [describe the relevant independence requirements].[[1]](#footnote-2)19

Our firm applies Australian Standard on Quality Management ASQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

###### Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party] in the terms of engagement dated [DATE], on the procurement of [xyz] products.

|  | **Procedures** | **Findings** |
| --- | --- | --- |
| 1 | Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products (“listing”) and identify all contracts valued at over $25,000. | We obtained from management a listing of all contracts for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. Of the 125 contracts on the listing, we identified 37 contracts valued at over $25,000.  |
| 2 | For each identified contract valued at over $25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Engaging Party]’s “Pre-qualified Contractors List.” For records of bidding that were submitted in [foreign language], translate the records of bidding with the assistance of a translator engaged by the practitioner before performing the comparison. | We inspected the records of bidding related to the 37 contracts valued at over $25,000. Of the records of bidding related to the 37 contracts, 5 were submitted in [foreign language]. We engaged a translator to assist us in the translation of these 5 records of bidding.We found that 36 of the 37 contracts were subject to bidding by at least 3 contractors from [Engaging Party]’s “Pre-qualified Contractors List.”We found 1 contract valued at $65,000 that was not subject to bidding. Management has represented to us that the reason that this contract was not subject to bidding was due to an emergency to meet a contractual deadline.The engagement of the translator to assist us in the translation of the records of bidding does not reduce our responsibility for performing the procedures and reporting the findings. |
| 3 | For each identified contract valued at over $25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract. | We obtained the signed contracts for the 37 contracts valued at over $25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Engaging Party] to the supplier.We found that the amounts payable in the signed contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contracts. In all these cases, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X1. |

[Practitioner’s signature]

[Date of practitioner’s report]

[Practitioner’s address]

1. 19 For example, if the APESB Code is the relevant ethical requirements and Part 4A of the APESB Code is the relevant independence requirements, this sentence may be worded along the following: “We have complied with the ethical requirements of the Accounting Professional & Ethical Standards Board *Code of Ethics for Professional Accountants (including Independence Standards)* (APESB Code) and the independence requirements in Part 4A of the APESB Code.” [↑](#footnote-ref-2)