

Agreed-Upon Procedures Engagement Explained

An agreed-upon procedures engagement is an attestation engagement, where CPA issues a report of findings based on specific procedures performed on the subject matter. The subject matter can be financial or non-financial. Because the needs of an engaging party may vary widely, the nature, timing, and extent of the procedures may vary as well.

It's important to note that agreed-upon procedures engagement is not an assurance engagement. Even though similar procedures can be performed, no opinion or conclusion is given.

Some examples of agreed-upon procedures include reviews of internal controls, due diligence when buying or selling a business, and contract compliance analysis. All agreed-upon procedures engagements have an engaging party who hires the CPA, a responsible party who is responsible for the subject matter, the CPA, and the intended users. Often the engaging and the responsible party are the same, however in some cases they may differ.

There are several steps involved in conducting agreed-upon procedures.

First you must agree on the specific procedures to be performed and the format of the report to be issued. This typically involves drafting a written agreement that outlines the scope of the engagement and the responsibilities of the CPA. Next, the CPA will plan the engagement and gather any necessary information or documentation. This may include reviewing your financial statements, interviewing management, and reviewing relevant policies and procedures.

Once the CPA has gathered the necessary information, they can begin performing the agreed-upon procedures.

These may include reviewing transactions, testing controls, analyzing data, and other tasks specified in the engagement agreement. After the procedures have been completed, the CPA will prepare a report that presents the results of their work. The report should clearly state the procedures performed and the findings, as well as any limitations on the scope of the engagement.

Agreed-upon procedures can be useful for business owners who need a report of findings on specific matters but do not require a financial statement audit, where formal opinions or conclusions are drawn.

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The facts presented by the CPA and agreed-upon procedures engagement allow business owners and management to draw their own conclusions on the subject matter. They offer more flexibility for the intended users and allow you to develop and tailor the procedures to best fit your business needs.

If you have questions regarding the use of agreed-upon procedures or assurance engagements, contact SVA. We can help you to determine which is the best solution for your needs.

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