

VIETNAM'S STANDARD ON RELATED SERVICES

Standard 4400: Engagements to perform agreed-upon procedures regarding financial information

(Issued together with Circular No. 68/2015/TT-BTC dated May 8, 2015 of the Ministry of Finance)

I/ GENERAL PROVISIONS

01. The purpose of this Standard is to establish standards and provide guidance on the responsibilities of certified public accountants and accounting service companies, certified public auditors and audit firms (*hereinafter referred to as "practitioner"*) when an engagement to perform agreed-upon procedures regarding financial information is undertaken and on the form and content of the report that the practitioner issues in connection with such an engagement.

In this Standard, the term "practitioners" shall be understood as persons undertaking engagements to perform agreed-upon procedures regarding financial information, including engagement partners, certified public accountants, certified public auditors and other members in the engagement teams and in most cases, including accounting service companies, audit firms (hereinafter referred to as "firms"). Where this Standard expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term "engagement partner" or "firm" rather than "practitioner" is used. "Engagement partner" and "firm" are to be read as referring to their public sector equivalents where relevant.

02. This Standard is directed toward engagements regarding financial information. However, it may provide useful guidance for engagements regarding non-financial information, provided the practitioner has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base findings. Guidance in Vietnam's Audit Standard (VSA) maybe useful to the practitioner in undertaking engagements to perform agreed-upon procedures regarding financial information.

03. An engagement to perform agreed-upon procedures may involve the practitioner in performing certain procedures concerning individual items of financial data (for example: accounts payable, accounts receivable, purchases from related parties and sales and profits of a segment of an entity), a financial statement (for example: a balance sheet) or even a complete set of financial statements.

04. The practitioner shall comply with requirements and guidance of this Standard and the terms of the engagement in conducting engagements to perform agreed-upon procedures regarding financial information.

04.a Relationship with International Standard on Quality Control (ISQC) 1 - Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements (hereinafter referred to as "ISQC 1"): Quality control systems, policies and procedures area the responsibility of the firm. International Standard on Quality Control 1 applies to firms of professional accountants in conducting engagements to perform agreed-upon procedures regarding financial information in this Standard (see paragraph 04 of ISQC1). The provisions of this Standard regarding quality control at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQC 1 or requirements that are at least as demanding.

04.b. The entity (client) and relevant entities shall have adequate knowledge of requirements and guidance of this Standard to cooperate in engagement and deal with relationship related to the arrangement and performance of engagements to perform agreed-upon procedures regarding financial information.

II/ CONTENT

Objectives of an engagement to perform agreed-upon procedures regarding financial information

05. The objective of an engagement to perform agreed-upon procedures regarding financial information is for the practitioner to carry out procedures of an audit nature to which the practitioner and the engaging entity and any appropriate third parties have agreed and to report on factual findings.

06. As the practitioner simply provides "a report of the factual findings" of agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the practitioner and draw their own conclusions from the practitioner's work.

07. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

General principles of an engagement to perform agreed-upon procedures regarding financial information

08. *The practitioner should comply with the Code of Ethics for Professional Accountants.* Ethical principles governing the auditor's professional responsibilities for this type of engagement are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality;
- (e) Professional behavior.

Independence is not a requirement for engagements to perform agreed-upon procedures regarding financial information. However, the terms and objectives of an engagement to perform agreed-upon procedures regarding financial information or professional standards may require the practitioner to comply with the independence requirement of the Code of Ethics for Professional Accountants. Where the practitioner is not independent, a statement to that effect would be made in the report of the factual findings.

Defining the terms of the engagement

09. The practitioner should ensure with the engaging entity and, ordinarily, other specified parties who will receive copies of the report of factual findings, that there is a clear understanding regarding the agreed-upon procedures and the conditions of the engagement.

Matters to be agreed include the following:

(1) Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed;

(2) Stated purpose of the engagement;

(3) Identification of the financial information to which the agreed-upon procedures will be applied;

(4) Nature, timing and extent of the specific procedures to be applied;

(5) Anticipated form of the report of factual findings;

(6) Limitations on distribution of the report of factual findings. When such limitation would be in conflict with the legal requirements, the practitioner would not accept the engagement.

10. In certain circumstances, for example, when the procedures have been agreed to between the regulator, industry representatives and representatives of the accounting profession, the practitioner may not be able to discuss the procedures with all the parties who will receive the report. In such cases, the practitioner may consider, for example, discussing the procedures to be applied with appropriate representatives of the parties involved, reviewing relevant correspondence from such parties and sending them a draft of the type of report that will be issued.

11. It is in the interests of both the client and the practitioner that the practitioner sends an engagement letter documenting the key terms of the appointment. An engagement letter confirms the practitioner's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the practitioner's responsibilities and the form of reports to be issued.

12. Matters that would be included in the engagement letter include the following:

- (1) A listing of the procedures to be performed as agreed upon between the parties;
- (2) A statement that the distribution of the report of factual findings would be restricted to the specified parties who have agreed to the procedures to be performed.

In addition, the practitioner may consider attaching to the engagement letter a draft of the type of report of factual findings that will be issued. An example of an engagement (or engagement letter) appears in Appendix 1 to this Standard.

Planning

13. The practitioner should plan the work so that an effective engagement will be performed.

Documentation

14. The practitioner should document matters which are important in providing evidence to support the report of factual findings, and evidence that the engagement was carried out in accordance with this Standard and the terms of the engagement.

Procedures and Evidence

15. The practitioner should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings.

16. The procedures applied in an engagement to perform agreed-upon procedures may include the following:

- (1) Inspection;
- (2) Observation;
- (3) Obtaining confirmations;
- (4) Recomputation, comparison and other clerical accuracy checks;
- (5) Analysis;
- (6) Inquiry.

Appendix 02 of this Standard is an example report which contains an illustrative list of procedures which may be used as one part of a typical agreed-upon procedures engagement.

Report of Factual Findings

17. The report of factual findings needs to describe the purpose and agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed.

18. The report of factual findings should contain:

- (a) Number and title (“report of factual findings”);
- (b) Addressee (ordinarily the client who engaged the practitioner to perform the agreed-upon procedures);
- (c) Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied;
- (d) A statement that the procedures performed were those agreed upon with the recipient;
- (e) A statement that the engagement was performed in accordance with this Standard applicable to agreed-upon procedures engagements, or with relevant standards, if any;
- (f) When relevant a statement that the practitioner is not independent of the engaging entity;
- (g) Identification of the purpose for which the agreed-upon procedures were performed;
- (h) A listing of specific procedures performed;
- (i) A description of the practitioner’s factual findings including sufficient details of errors and exceptions found;
- (j) Statement that the procedures performed will not constitute an audit or a review and, as such, no assurance is expressed;
- (k) A statement that had the practitioner performed additional procedures, an audit or a review, other matters might have come to light that would have been reported;
- (l) A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- (m) A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity’s financial statements taken as a whole;
- (n) Date of the report;
- (o) Firm’s name and address; and
- (p) Practitioner’s signature, full name and seal.

The report of factual findings must bear the signature of certified public accountant or certified public auditor who is the legal representative or duly authorized person of the legal representative of the firm. The legal representative or duly authorized person of the legal representative who is entitled to sign the report of factual findings must be an engagement partner of the engagement to perform agreed-upon procedures regarding financial information. Below the signature are full name, number of practice certificate as per the law. Above the signature is the seal of the firm (or branch of the firm) which issues the report;

If the engagement is undertaken by an individual practitioner who registered accounting service, the report of factual findings must bear the signature of the certified public accountant, and below are full name and number of practice certificate as per the law. Above the signature is the seal of the business entity (if any).

Appendix 02 of this Standard contains an example of a “report of factual findings” issued in connection with an engagement to perform agreed-upon procedures regarding financial information.

Public Sector Perspective

19. The report in a public sector engagement may not be restricted only to those parties that have agreed to the procedures to be performed, but made available also to wider range of entities or people (for example, a parliamentary investigation about a specific public entity or governmental department).

20. It also has to be noted that public sector mandates vary significantly and caution has to be taken to distinguish engagements that are truly “agreed-upon procedures” from engagements that are expected to be audits of financial information, such as performance reports.

**ILLUSTRATION OF AN AGREEMENT LETTER
FOR AN AGREED-UPON PROCEDURES ENGAGEMENT**

The following letter is not intended to be a standard letter. The engagement letter will need to be varied according to individual requirements and circumstances.

**THE SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness
-----o0o-----**

No./HDDV

[Location],[date].....

AGREED-UPON PROCEDURES ENGAGEMENT

(Re:.....of.....)

- Pursuant to the Civil Code No. 33/2005/QH11 dated June 14, 2005;
- Pursuant to the Law on Commerce No. 36/2005/QH11 dated June 14, 2005;
- Pursuant to the Law on Independent Audit No. 67/2011/QH12 dated March 29, 2011;
- Pursuant to the Government’s Decree No. 17/2012/ND-CP dated March 13, 2012 on guidelines for certain articles of the Law on Independent Audit;
- Pursuant to Vietnam’s Standard on Related Services 4400 - Engagements to perform agreed-upon procedures regarding financial information;

This engagement is established by and between:

PARTY A:

Representative:

Position:

(According to Letter of Authorization No.dated.....) (for Deputy Director)

Address:

Email:; Tel; Fax:

TIN:

Account No.

At bank:

PARTY B: XYZ AUDIT FIRM

Representative:

Position:

(According to Letter of Authorization No. dated.....) (for Deputy Director)

Address:

Email:; Tel; Fax:

TIN:

Account No.

At bank:

ARTICLE 1: CONTENT

Party B has agreed to perform the following procedures and report to Party A the factual findings resulting from the work of Party B:

[Describe the nature, timing and extent of the procedures to be performed, including specific reference, where applicable, to the identity of documents and records to be read, individuals to be contacted and parties from whom confirmations will be obtained].

ARTICLE 2: RESPONSIBILITIES OF PARTIES

Responsibilities of Party A:

Provide information and documents needed and right to access of individuals and collectives regarding performance of agreed-upon procedures. Take responsibility for the completeness and appropriateness of agreed-upon procedures.

Enable personnel of Party B to perform their tasks.

Pay fees and other charges (if any) in full to Party B as established in Article 4 of this engagement.

Responsibilities of Party B:

Party B has agreed to perform the procedures set forth in Article 1 of this engagement and report Party A factual findings resulting from the work of Party B.

The work of Party B will be conducted in accordance with Vietnam's Standard on Related Services 4400 - Engagement to perform agreed-upon procedures regarding financial information and Party B will indicate so in the report of factual findings.

The procedures that Party B will perform are solely to assist Party A for [specifying purposes]. Party B's report is not be used for any other purpose and is solely for Party A's information.

The procedures that Party B will perform will not constitute an audit or a review made in accordance with Vietnam's Audit Standard or Vietnam's Standard on Review Engagements and, consequently, no assurance will be expressed.

ARTICLE 3: REPORT OF FACTUAL FINDINGS

After completely performing agreed-upon procedures, Party B will provide Party A set of report of factual findings in Vietnamese,set of report of factual findings in (English).

The report of factual findings shall be made in writing, including contents as provided for in Vietnam's Standard on Related Services 4400 - Engagement to perform agreed-upon procedures regarding financial information, and relevant laws and regulations.

ARTICLE 4: FEE AND METHOD OF PAYMENT

Fee

Total fee payable to the engagement set out in Article 1 is: VND (in words:).

The fee is inclusive of (*or exclusive of*) travel, accommodation costs and other costs and exclusive of VAT 10%.

Term of payment (as agreed):

The fee shall be paid by wire transfer to the account of Party B.

Party B will issue a VAT invoice to Party A upon the completion of the engagement, in accordance with applicable taxation law.

ARTICLE 5: UNDERTAKING

Parties undertake to abide by all terms and conditions stated in the engagement. Any difficulty arising out of or in connection with this engagement shall be communicated to each other for resolution. Any change shall be notified in writing (or via email) according to the above-mentioned address.

The performance of agreed-upon procedures is expected to be completed in days after effective date of this engagement (or commencement date of the engagement).

Any dispute arising out of or in connection with this engagement shall be settled through amicable arrangement or in accordance with the Civil Code of the Socialist Republic of Vietnam and the economic court chosen by the parties.

ARTICLE 6: EFFECT, LANGUAGE AND DURATION

This engagement shall be made in copies (... copies in Vietnamese and copies in (English), each party shall keep ... copies in Vietnamese and copies in (English) with the same legal validity and take effect from the date on which this engagement bears all signatures and seals of both parties.

This engagement shall be automatically terminated after Party A and Party B have completely performed their obligations.

Representative of Party A
COMPANY
Director
(Signature, full name, seal)

Representative of Party B
XYZ AUDIT FIRM
Director
(Signature, full name, seal)

ILLUSTRATION OF AN ENGAGEMENT LETTER FOR AN AGREED-UPON PROCEDURES ENGAGEMENT

The following letter is not intended to be a standard letter. The engagement letter will need to be varied according to individual requirements and circumstances.

XYZ audit firm

Address, telephone, fax...

No..../20x5

ENGAGEMENT LETTER

FOR AN AGREED-UPON PROCEDURES ENGAGEMENT

To: [the management or other appropriate representatives of the client who engaged the practitioner]

This letter is to confirm our understanding of the terms and objectives of our engagement and nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with Vietnam's Standard on Related Services 4400 - Engagement to perform agreed-upon procedures regarding financial information and we will indicate so in our report of factual findings.

We have agreed to perform the following procedures and report to you the factual findings resulting from our work:

[Describe the nature, timing and extent of the procedures to be performed, including specific reference, where applicable, to the identity of documents and records to be read, individuals to be contacted and parties from whom confirmations will be obtained].

The procedures that we will perform are solely to assist you in [state purpose]. Our report is not be used for any other purpose and is solely for your information.

The procedures that we will perform will not constitute an audit or a review made in accordance with Vietnam's Audit Standard or Vietnam's Standard on Review Engagements and, consequently, no assurance will be expressed.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our engagement.

Our fees are based on the time required by individuals assigned to the engagement plus out-of-pocket expenses. Our fees will be billed as work progresses and in accordance with applicable taxation law. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. (*)

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement.

[(Hanoi), [date].....]

XYZ audit firm
Director

(Signature, full name, seal)

Acknowledged on behalf of ABC Company.

[(Hanoi), [date].....]

Director

(Signature, full name, seal)

Notes: () may indicate fees and methods of payment.*

ILLUSTRATION OF A REPORT OF FACTUAL FINDINGS IN CONNECTION WITH ACCOUNTS PAYABLE

XYZ audit firm

Address, telephone, fax...

No.../20x5

REPORT OF FACTUAL FINDINGS

To: [those who engaged the practitioner]

We have performed the procedures with you and enumerated below with respect to the accounts payable of ABC Company as at (date), set forth in the accompanying schedules (*not shown in this example*). Our engagement was undertaken in accordance with Vietnam's Standard on Related Services 4400 - Engagement to perform agreed-upon procedures regarding financial information and we will indicate so in our report of factual findings. The procedures were performed solely to assist you in evaluating the validity of the accounts payable and are summarized as follows:

1. We obtained checked the addition of the trial balance of accounts payable as at (date) prepared by ABC Company, and we compared the total to the balance in related general ledger account;
2. We compared the attached list (*not shown in this example*) of major suppliers and the amounts owing at (date) to the related names and amounts in the trial balance;
3. We obtained suppliers' statements or requested supplied to confirm balances owing at (date);
4. We compared such statements or confirmations to the amounts referred to in 2. For amounts which did not agree, we obtained reconciliations from ABC Company. For reconciliations obtained, we identified and listed outstanding invoices, credit notes and outstanding checks, each of which was greater than VND XXX1. We located and examined such invoices and credit notes subsequently received and checks subsequently paid and we ascertained that they should in fact have been listed as outstanding on the reconciliations (*).

We report our findings below: (**)

- (a) With respect to item 1 we found the addition of account payable of VND XXX2 to be correct and the total amount to be in agreement;
- (b) With respect to item 2 we found the amounts compared to be in agreement;

(c) With respect to item 3 we found there were suppliers' statements for all such suppliers;

(d) With respect to item 4 we found the amounts agreed, or with respect to amounts which did not agree, we found ABC Company had prepared reconciliations and that the credit notes, invoices and outstanding checks over VND XXX1 were appropriately listed as reconciling items with the following exceptions: [Detail the exceptions].

Because the above procedures do not constitute either an audit or a review made in accordance with Vietnam's Audit Standard or Vietnam's Standard on Review Engagements, we do not express any assurance on the accounts payable as of (date).

Had we performed additional procedures or had we performed an audit or review of financial statements in accordance with Vietnam's Audit Standard or Vietnam's Standard on Review Engagements [or relevant national standards or practices], other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of ABC Company, taken as a whole.

[(Hanoi), [date].....]

XYZ audit firm

Director General

(Signature, full name, seal)

Ref. No. of

Notes:

(): Items 1, 2, 3, 4... above are described according to the fact how the auditor has performed.*

*(**): Indicate the factual findings from the engagement.*

*(***): Being revised if a certified public accountant performs this engagement./.*

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