

**Example agreed-upon procedures report
on reference ratio of the constituent funds of a Mandatory Provident Fund scheme**

(Effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after 1 January 2022 and engagements beginning before 15 December 2022)

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The trustee of the Mandatory Provident Fund (“MPF”) scheme is the engaging party, the responsible party and the intended user. The report is also intended to be provided to the Mandatory Provident Fund Schemes Authority.
- 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 and distribution of the report.
- The practitioner is the auditor of the financial statements of a MPF scheme. The practitioner has agreed with the trustee of the MPF scheme that the practitioner’s compliance with the independence requirements applicable to audits of financial statements of the MPF scheme 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 statements 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.

AGREED-UPON PROCEDURES REPORT ON REFERENCE RATIO OF THE CONSTITUENT FUNDS OF XYZ SCHEME

To the Trustee of XYZ Scheme

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

Our report is solely for the purpose of assisting the trustee of XYZ Scheme (the “Scheme”) in satisfying the requirements of section 19V(2)(b) of the Mandatory Provident Fund Schemes Ordinance (the “Ordinance”) on the reference ratio for each constituent fund that is not a capital preservation fund (“CF”) covering the period from [Date] to [Date] as listed in the Annex to this report and may not be suitable for another purpose. This report is intended solely for the trustee of the Scheme, and should not be used by, or distributed to, any other parties, except that we agree that a copy of this report may be provided to the Mandatory Provident Fund Schemes Authority (“the Authority”).

Trustee’s Responsibilities

The trustee of the Scheme has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The trustee of the Scheme is responsible for the determination of the reference ratio for each CF covering the period from [Date] to [Date] in accordance with section 19V(2)(a)(i) of the Ordinance and as listed in the Annex to this report on which the agreed-upon procedures are performed.

Practitioner's Responsibilities¹

We have conducted the agreed-upon procedures engagement in accordance with the Hong Kong Standard on Related Services (HKSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the trustee of the Scheme, 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. We expressly disclaim any liability or duty to any other party for the content in this report.

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 Control

We have complied with the ethical requirements of the Hong Kong Institute of Certified Public Accountants' *Code of Ethics for Professional Accountants* (the "Code") and the independence requirements in Part 4A, Chapter A of the Code.

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and 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 the trustee of the Scheme in the terms of engagement dated [date], on the reference ratio for each CF as listed in the Annex to this report.

Procedures	Findings
1. Obtain from the trustee of the Scheme the annualised Fund Expense Ratio ("FER") Calculation breakdown for each CF covering the period from [Date] to [Date].	1. We obtained from the trustee of the Scheme the FER Calculation breakdown for each CF covering the period from [Date] to [Date] as attached in the Annex.
2. Obtain from the trustee of the Scheme the audited financial statements and the unaudited management accounts of each CF for the year ended [Date].	2. We obtained from the trustee of the Scheme the audited financial statements and the unaudited management accounts of each CF for the year ended [Date].

¹ The auditor may consider it appropriate to include a limitation of liability clause in accordance with his firm's risk management policies.

<p>3. Agree the total expenses of each CF as stated in the Annex and the unaudited management accounts for the year ended <i>[Date]</i> to the total expenses of each CF as stated in the statement of profit or loss and other comprehensive income ² of the audited financial statements for the year ended <i>[Date]</i>.</p>	<p>3. We found that the total expenses of each CF as stated in the Annex and the unaudited management accounts for the year ended <i>[Date]</i> was in agreement with the total expenses of each CF as stated in the statement of profit or loss and other comprehensive income² of the audited financial statements for the year ended <i>[Date]</i>.</p>
<p>4. Agree the amount and description of each item of the direct expenses³ of each CF as stated in the Annex to the unaudited management accounts of each CF for the year ended <i>[Date]</i>.</p>	<p>4. We found that the amount and description of each item of the direct expenses of each CF as stated in the Annex was in agreement with the unaudited management accounts of each CF for the year ended <i>[Date]</i>.</p>
<p>5. Agree each item of the excluded expenses of each CF as stated in the Annex to the unaudited management accounts for the year ended <i>[Date]</i>.</p>	<p>5. We found that each item of the excluded expenses of each CF as stated in the Annex was in agreement with the unaudited management accounts for the year ended <i>[Date]</i>.</p>
<p>6. Agree the adjusted unit expenses of each CF as stated in the Annex to the unaudited management accounts for the year ended <i>[Date]</i>.</p>	<p>6. We found that the adjusted unit expenses of each CF as stated in the Annex was in agreement with the unaudited management accounts for the year ended <i>[Date]</i>.</p>
<p>7. Check the mathematical accuracy of the calculation of the sum of total direct expenses of each CF in the Annex.</p>	<p>7. We checked the calculation of the sum of total direct expenses of each CF in the Annex was mathematically accurate.</p>
<p>8. Agree the amount and description of each item of the adjustments permitted or required by the Authority of each CF as stated in the Annex to the unaudited management accounts of each CF for the year ended <i>[Date]</i>.</p>	<p>8. We found that the amount and description of each item of the adjustments permitted or required by the Authority of each CF as stated in the Annex was in agreement with the unaudited management accounts of each CF for the year ended <i>[Date]</i>.</p>
<p>9. Agree the date of approval letter issued by the Authority for each item of the adjustments permitted or required by the Authority as stated in the Annex to the date of the approval letter issued by the Authority.</p>	<p>9. We found that the date of approval letter issued by the Authority for each item of the adjustments permitted or required by the Authority as stated in the Annex was in agreement with the date of approval letter issued by the Authority.</p>

² Different terms may be used as long as they are consistent with the titles of the corresponding statements of each CF.

³ "direct expenses" refer to the specified expenses defined in accordance with section 4(2) of Schedule 13 to the Ordinance. The specified expenses mean the amount of expenses set out in the relevant financial statements of the scheme that is attributable to the CF for that period minus excluded expenses plus any adjusted unit expenses. Excluded expenses and adjusted unit expenses are defined in section 4(3) of Schedule 13 to the Ordinance.

<p>10. Check the mathematical accuracy of the calculation of the sum of the total adjustments permitted or required by the Authority of each CF in the Annex.</p>	<p>10. We checked the calculation of the sum of the total adjustments permitted or required by the Authority of each CF in the Annex was mathematically accurate.</p>
<p>11. Obtain from the trustee of the Scheme the calculation breakdown of the [daily] [monthly] average net asset value⁴ (“NAV”) of each CF for the period from [Date] to [Date].</p>	<p>11. We obtained from the trustee of the Scheme the calculation breakdown of the [daily][monthly] average NAV of each CF for the period from [Date] to [Date].</p>
<p>12. Check the mathematical accuracy of the calculation of the sum of the [daily][monthly] NAV of each CF on the calculation breakdown obtained in 11. above.</p>	<p>12. We checked the calculation of the sum of the [daily][monthly] NAV of each CF on the calculation breakdown obtained in 11. above was mathematically accurate.</p>
<p>13. Recalculate the average NAV of each CF by dividing the sum of the [daily][monthly] NAV by the total number of [days][months] in accordance with section 4(2) of Schedule 13 to the Ordinance and agree the recalculated amount to the average NAV of each CF as stated in the Annex.</p>	<p>13. We recalculated the average NAV of each CF by dividing the sum of the [daily][monthly] NAV by the total number of [days][months] in accordance with section 4(2) of Schedule 13 to the Ordinance and we found that the recalculated amount was in agreement with the average NAV of each CF as stated in the Annex.</p>
<p>14. Recalculate the direct expense ratio of each CF by dividing the difference between the total direct expenses (see 7. above) and the total adjustments permitted or required by the Authority (see 10. above) by the average NAV (see 13. above) in accordance with section 4(1) of Schedule 13 to the Ordinance and agree the recalculated amount to the direct expense ratio of each CF as stated in the Annex.</p>	<p>14. We recalculated the direct expense ratio of each CF by dividing the difference between the total direct expenses (see 7. above) and the total adjustments permitted or required by the Authority (see 10. above) by the average NAV (see 13. above) in accordance with section 4(1) of Schedule 13 to the Ordinance and we found that the recalculated amount was in agreement with the direct expense ratio of each CF as stated in the Annex.</p>
<p>15. Obtain from the trustee of the Scheme [indicate types of document e.g. correspondence with fund manager, brochure provided by the fund manager] on the underlying fund FER (E) of each CF for the most recent financial period and (i) agree the underlying fund FER (E) as stated in the Annex and (ii) check that the financial period of the underlying fund FER ends no later than [financial period end date].</p>	<p>15. We obtained from the trustee of the Scheme [indicate types of document e.g. correspondence with fund manager, brochure provided by the fund manager] on the underlying fund FER (E) of each CF for the most recent financial period and (i) agreed the underlying fund FER (E) as stated in the Annex and (ii) checked that the financial period of the underlying fund FER ended not later than [financial period end date].</p>

⁴ According to section 4(2) of Schedule 13 to the Ordinance, “average NAV” means the sum of NAV of the CF at each applicable pricing point divided by the total number of those points. The applicable pricing point is defined in section 6 of Schedule 13 to the Ordinance.

<p>16. Obtain the [daily][monthly] list of investment holding of each CF:</p> <p>a. recalculate the [daily][monthly] average percentage of each CF's investments in the underlying fund over the relevant corresponding period in accordance with section 5(3) of Schedule 13 to the Ordinance and agree the recalculated amount to the average percentage of each CF's investments in the underlying fund (C) as stated in the Annex.</p> <p>b. recalculate the underlying fund cost ratio ("UFC") of each CF in accordance with section 5(1) of Schedule 13 to the Ordinance and agree the recalculated amount to the UFC of each CF as stated in the Annex.</p>	<p>16. We obtained the [daily][monthly] list of investment holding of each CF:</p> <p>a. we recalculated the [daily][monthly] average percentage of each CF's investments in the underlying fund over the relevant corresponding period in accordance with section 5(3) of Schedule 13 to the Ordinance and we found that the recalculated amount was in agreement with the average percentage of each CF's investments in the underlying fund (C) as stated in the Annex.</p> <p>b. we recalculated the UFC of each CF in accordance with section 5(1) of Schedule 13 to the Ordinance and we found that the recalculated amount was in agreement with the UFC of each CF as stated in the Annex.</p>
<p>17. Check the mathematical accuracy of the calculation of the FER for each CF as listed in the Annex using the formula set out in section 3(2) of Schedule 13 of the Ordinance.</p>	<p>17. We checked the calculation of the FER for each CF as listed in the Annex was mathematically accurate using the formula set out in section 3(2) of Schedule 13 of the Ordinance.</p>

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

[Date]

[Address]

* *Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements replaces HKSQC 1. Practitioners are required to have systems of quality management designed and implemented in accordance with HKSQM 1 by 15 December 2022. If engagement is beginning on or after 15 December 2022, this paragraph should be replaced with the following:*

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

Paragraph 28 of HKSRS 4400 (Revised) requires the practitioner to consider whether to request written representations from the engaging party. Paragraph A45 further clarifies that requesting written representations is based on the practitioner's decision on specific circumstances.