

Implementation Tool for Practitioners

CANADIAN STANDARD ON RELATED SERVICES (CSRS)

OCTOBER 2018

STANDARD DISCUSSED

CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*

There are many steps involved in performing and completing an engagement under CSRS 4460. In this *Implementation Tool for Practitioners* a [one-page diagram](#) is included that shows the main steps required. It is easily detachable and useful as a reminder.

This *Implementation Tool for Practitioners (Tool)* will assist you with the implementation of CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*. It provides guidance to you, the practitioner, when you are asked to report on supplementary matters. The *Tool* provides an overview of the steps required. You will need to adapt the *Tool* to the specific circumstances of each engagement. This *Tool* does not replace the need to read the entire standard including the application and other explanatory material.

This *Tool* is the third document in a series issued by Chartered Professional Accountants of Canada (CPA Canada) related to CSRS 4460. The first document was the *Audit & Assurance Alert* (the *Alert*). It was created to help prepare you and your firm for the transition to CSRS 4460 for engagements when you are asked to report on supplementary matters. The second document was the *Practitioner Client Briefing* (the *Briefing*) and it was created to help you prepare for any discussions you may have with your client or the third party. The links to these documents are included in the [Additional Resources](#) section of this report.

The primary objective of this *Tool* is to supplement the *Alert* and the *Briefing* to assist you with the **implementation of CSRS 4460** for a particular engagement.

What Types of Engagements Are Potentially Covered by CSRS 4460?

One of the biggest challenges in addressing requests from third parties is to identify the nature of the request and whether the engagement will be covered by this new standard.

The following list may help you identify potential engagements based on the following requests:

- Complete or report on supplementary information (see paragraph 4460.A5).
- Complete or report on questionnaires (see paragraph 4460.A6).
- Report instances of non-compliance with laws, regulations or agreements (see paragraph 4460.A7).
- Report facts or figures other than the information on which the practitioner is performing an audit or a review engagement (see paragraph 4460.A8).
- Report observations made or items of interest to the third party (see paragraph 4460.A9).
- Provide recommendations (see paragraph 4460.A10).

Some specific examples include:

- A client is a not-for-profit organization and the funding agency requires you to complete a form regarding the program costs.
- A client is a collection agency and the governing legislation requires a report from you on the state of affairs of the collection business and trust funds.
- A client is a private post-secondary institution or career college and the related provincial ministry requires a report from you on the enrolment and cost of the program.
- A client has an agreement with the Canada Mortgage and Housing Corporation (CMHC) and requires you to communicate certain information to CMHC.

QUESTION

Does an engagement under CSRS 4460 have to result from a formal written request from a third party?



No. The request can be oral or can come indirectly from your client. However, the request should be of the nature of the types of engagements discussed above, originate from a third party and cannot be prohibited under CSRS 4460. (The types of engagements that are prohibited are discussed in [Appendix A](#).)

In addition, if the third party just requests supplementary information from management and does not request the involvement of a practitioner, it is not a CSRS 4460 engagement. In that case, it is simply an internal request for information between the third party and your client.

If management or the board requests a report on supplementary information from you, but it does not originate from a third party, it is not a reporting engagement under CSRS 4460 but simply a client request for information. This type of engagement may be completed under another standard, such as Canadian Auditing Standard (CAS) 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. (See the Alert for the decision tree on the number of possible standards that may be appropriate.)

QUESTION

To accept an engagement under CSRS 4460 do I have to already be engaged to perform an audit or review of my client's financial statements?



As indicated in paragraph 4460.12, you can only accept the other reporting responsibility under CSRS 4460 if you have accepted a related audit or review engagement. However, CSRS 4460 does not specify that the related engagement must be the audit or review of the client's financial statements. It could be an audit or review on another matter, though it is most likely to be an audit or review of financial statements.

This requirement to have a related audit or review engagement ensures that the level of understanding of the entity is at least at the review engagement level, and that the standards and ethical requirements on such matters of independence are met.

The practitioner needs to gain sufficient knowledge and information to perform the engagement under CSRS 4460, along with any additional procedures assessed to be needed. The related audit or review engagement may not provide this information. For example, an audit engagement under CAS 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, may not always give you sufficient knowledge to complete an engagement on a supplementary matter, especially if the supplementary matter is not related to the scope of the engagement under CAS 805.

The related review or audit engagement is required to be accepted but does not need to be completed before the issuance of the other reporting responsibility under CSRS 4460.

If you do not have an audit or review relationship, and therefore cannot accept an engagement under CSRS 4460, and there is a request for information, you may consider if another engagement would be possible. For example, if your normal relationship is to prepare tax returns with compiled financial statements then you may consider an engagement under Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*, if it will meet the needs of the third party.

Key Terms

It is a requirement that you have an understanding of the full text of the standard and the terminology used (see paragraph 4460.06). The following key terms are provided here to help you implement the standard and obtain the most from this *Tool*:

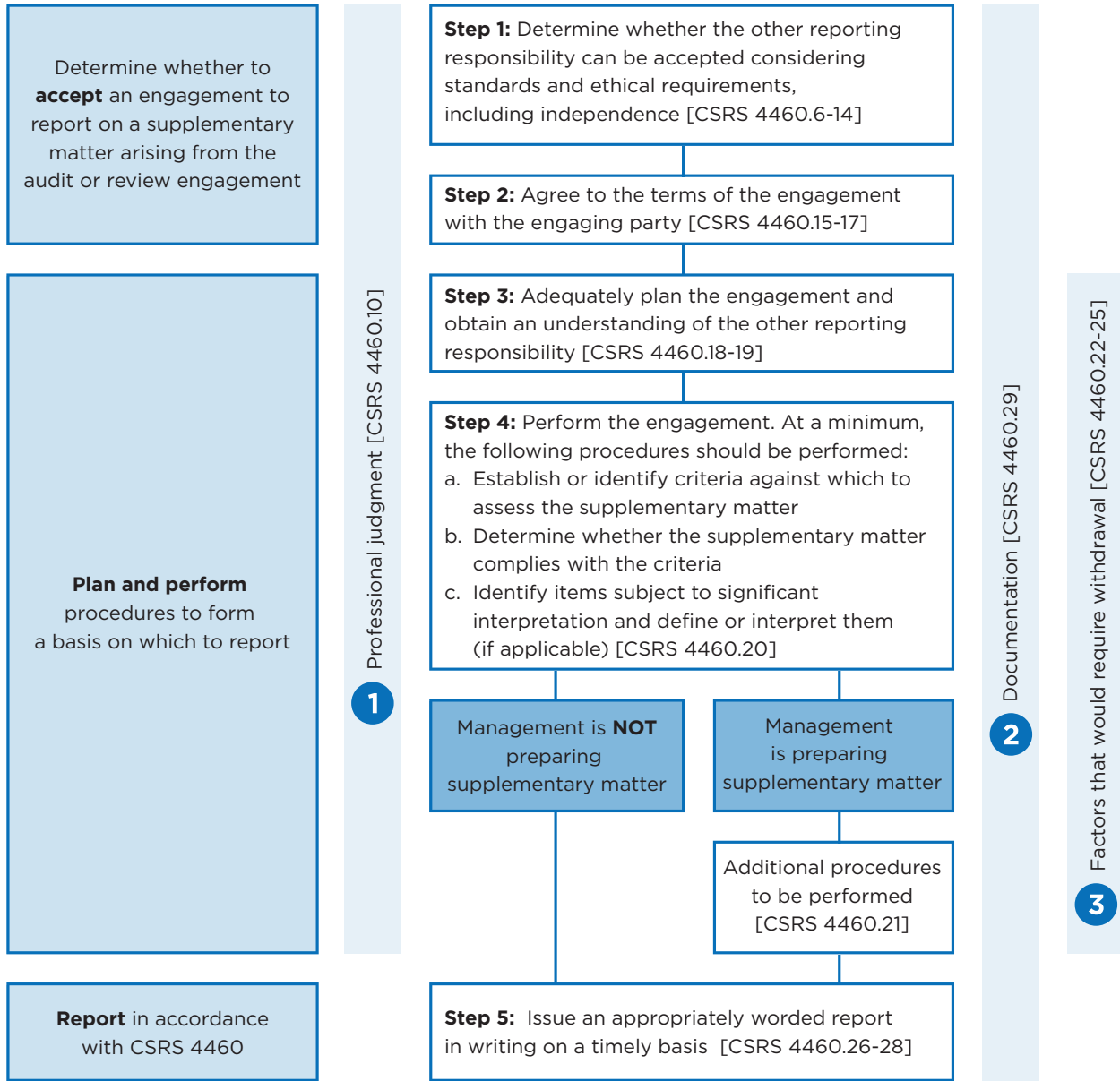
Other Reporting Responsibility	<p>The practitioner's responsibility to report on a supplementary matter</p> <p>Reminder: Engagements under CSRS 4460 are only accepted if there is already a relationship with your client to complete an audit or review on the client's financial statements or other information. The standard refers to the engagements under CSRS 4460 as the "other reporting responsibilities" to distinguish the reports under CSRS 4460 from the engagement to audit or review the client's financial statements or other information.</p>
Supplementary Matter	<p>The information requested by the third party or required by law, regulation or agreement to be provided to a third party</p> <p>Reminder: The format of the supplementary matter may vary but has to ultimately originate from a request from a third party to be an engagement under CSRS 4460.</p>
Third Party	<p>The party, other than management or those charged with governance, that requests the other reporting responsibility</p> <p>Examples: A funder, government agency, bank, etc.</p>
Prescribed Form	<p>The form specified by a third party in relation to the supplementary matter</p> <p>Reminder: The form may require completion or the third party may simply require a signature on the form. However, depending on what the form states, signing a form can result in the provision of more assurance than intended. All prescribed forms should be reviewed carefully to determine if they can be signed. Only if the requirements of CSRS 4460 are met within the form can it be signed. In many cases a report that complies with CSRS 4460 should be attached.</p>

Using This Implementation Tool

As stated, this *Tool* will help you understand the issues related to the implementation of CSRS 4460. [Figure 1](#) summarizes the requirements of CSRS 4460 and the related completion of the engagement into the following three main components:

1. Determine whether to accept an engagement to report on a supplementary matter arising from the audit or review engagement.
2. Plan and perform procedures to form a basis on which to report.
3. Report in accordance with CSRS 4460.

Figure 1



Professional judgment **1** and documentation **2** are depicted in Figure 1 as being relevant throughout the process.

There may be occasions where it may be necessary to withdraw from the engagement and this issue is depicted on the far right of Figure 1. **3** This may not occur that frequently, so will not be discussed in this *Tool*.

Step 1

Determine whether the other reporting responsibility can be accepted considering standards and ethical requirements, including independence (see paragraphs 4460.6-14).

The most significant challenge with the various requests from third parties is to determine whether the engagement can be accepted or not. Therefore, it is important that you stop and carefully assess if CSRS 4460 is the appropriate standard for the engagement. The following questions will help you with this determination. (See the *Alert* and the *Briefing* for further guidance.)



Are you sure the engagement falls under the scope of CSRS 4460?

- If you are unsure please review The Briefing and use the decision tree to assess whether the request from the third party fits within CSRS 4460 or another standard.

Can you accept the engagement under CSRS 4460? The first consideration is that it can only be accepted when the related audit or review engagement has been accepted (see paragraphs 4460.11-12 and A15-A20). In determining whether the other reporting responsibility can be accepted, you can consider the following factors:

- The nature of the other reporting responsibility.
- The nature and authority of the third party. For example, is the third party a legislator or regulator with the legal authority to make the request?
- The level of knowledge of the third party with respect to your role and responsibilities.
- If the other reporting responsibility is prescribed by law, regulation or agreement.
- The likelihood that the supplementary matter will be encountered during the related audit or review engagement or that you will have to perform additional procedures to form a basis for the report.
- Whether you believe there will be a basis for the report, including whether criteria can be established and interpretations can reasonably be made.
- How the request is articulated. If it is stated in absolute terms, such as “all transactions or conditions have been reported” or “none of the following conditions have occurred,” then it may not be possible or practicable to respond to such a request.

Is the supplementary matter within your area of [expertise](#)? (See paragraph 4460.13(c) and A24.)

Is it possible to complete the engagement? Relevant questions include:

- Are there any threats to your independence that cannot be overcome?
- Do you have the resources available to complete the engagement?
- Is the request clearly defined?
- Can the needs of the third party be met?
- Are there any prohibitions within CSRS 4460 that would prevent you from accepting the engagement? (See [Appendix A](#).)

QUESTION

If the request requires me to submit my response electronically does that mean that I cannot accept the engagement?



No. Electronic submission does not preclude the engagement from being accepted under CSRS 4460. Sometimes the submission of information can be on the third party's website or the completion of a locked PDF version or Excel workbook and a report as specified under CSRS 4460 cannot be attached directly. In these circumstances, inquire whether the third party will accept a PDF printed or scanned copy so that the report can be attached to the electronic submission. If not, the engagement cannot be accepted under CSRS 4460. (See paragraph 4460.14 and 4460.A27-A28.)

QUESTION

Can I accept an engagement when the request asks for an absolute statement such as “all [or none] of the transactions have been reported”?



It depends on the specific request. If the request is articulated in terms of absolutes such as “all transactions or conditions have been reported” or “none of the following conditions has occurred,” you will have to use professional judgment to determine whether or not the terms can be verified.

For example, the third party may wish to know if “all” bank accounts have been reconciled. Given a small number of items to verify you may be able to report on such a matter by verifying that “all” bank accounts included in the trial balance have been reconciled.

However, if you are asked to confirm that all employee expense reports have been appropriately approved, and there are numerous reports, it would not be practicable to accept the engagement as the use of a sampling approach would not meet the requirement of the request to verify that “all” expense reports have been reviewed. (See paragraph 4460.A16.)

QUESTION

How do I know if the request is outside of the area of expertise of the engagement team(s)?



Professional judgment is used to conclude on whether the engagement team(s) has the expertise to accept the engagement under CSRS 4460. For some requests, the expertise of the team(s) completing the related engagement may not be sufficient. It may be possible to use an expert and add additional team members but caution is needed. For example:

- If the request is to comment on the quality of the drinking water at the client's premise, such an engagement would generally not be accepted.
- If the request is related to legal matters, such an engagement would generally not be accepted.
- If the related engagement is the performance of an audit of a greenhouse gas statement, the engagement team is expected to have expertise regarding quantification and reporting of emissions. (See Canadian Standard on Assurance Engagements (CSAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, for these engagements.) If the engagement under CSRS 4460 involves a similar level of technical or other expertise, it could be accepted.

QUESTION

Can I complete an engagement under CSRS 4460 based on a request from a lender regarding the solvency of my client?



No. It is not generally acceptable to report under CSRS 4460 on such matters.

Refer to Assurance and Related Services Guideline AuG-4, *Services on Matters Relating to Solvency*. AuG-4 addresses situations where you are requested to provide assurance to lenders (i.e., solvency letters) on a corporate client's ability to pay its liabilities and the realizable value of its assets. The general conclusion of this guideline is that you should not provide an opinion (i.e., positive or negative assurance) on matters relating to solvency. CSRS 4460 does not contain material specific to solvency and, since it does not provide an audit opinion or review conclusion, would not be an engagement that would meet the needs of the lender.

The balance of this *Tool* now presumes that you can accept an engagement under CSRS 4460.

Step 2

Agree to the terms of the engagement with the engaging party (see paragraphs 4460.15-17).

This can be accomplished by modifying an engagement letter that already exists for the related audit or review engagement or by creating a separate engagement letter for the CSRS 4460 engagement.

An example of the possible terms for an engagement under CSRS 4460 is included in [Appendix B](#). The terms of a specific engagement are dependent on the specific request.

Step 3

Adequately plan the engagement and obtain an understanding of the other reporting responsibility (see paragraphs 4460.18-19).

The best way to obtain an understanding of the request and to begin planning the engagement is to read the relevant document(s), if any, which explains the request from the third party. This may include legislative or regulatory material, a contract, letter or electronic information. Request this information from your client or the third party or ask them to direct you to the appropriate website, if applicable. It is important to read the aspects of such documents necessary to understand the other reporting responsibility. This may not require a complete reading of all materials if the other reporting responsibility is sufficiently clear in an identifiable component of a larger document.

Planning also involves ensuring that the engagement team completing the related audit or review engagement is aware of the supplementary matter and the reporting responsibility. This will enable the engagement team to remain alert to matters that will come to their attention during the related audit or review engagement that may help with the performance of the engagement under CSRS 4460 (see paragraph 4460.A18). In addition, if the engagement under CSRS 4460 involves obtaining information that is outside the scope of the related

audit or review engagement, it is important to communicate this to the team in advance so the engagement can be completed efficiently. For example, if you are performing the related audit engagement and are not testing the operating effectiveness of internal controls but you will be asked to indicate whether the bank reconciliation is prepared each month, it would be efficient to perform any procedures necessary to report on the supplementary matter concurrently with the related audit engagement.

Planning and obtaining an understanding will also allow you to identify the criteria that may be needed to complete the engagement under CSRS 4460 and to determine if any [significant interpretations](#) will be necessary. It is important to anticipate significant interpretations early so that you can allow sufficient time to discuss any such interpretations with the third party, if necessary. (See [Step 4](#) for further discussion on such interpretations.)

Step 4

Perform the engagement (see paragraphs 4460.20-21).

The nature and extent of procedures to be performed in order to provide a basis to report on the supplementary matter are a matter of professional judgment. Procedures would be designed for the specific engagement. At a minimum the following two steps would be performed:

1. Establish or identify criteria against which to assess the supplementary matter.
2. Design the procedures that will enable you to determine whether the supplementary matter complies with the criteria.

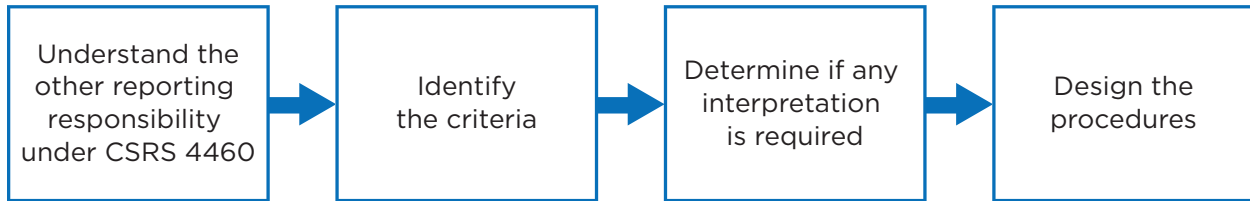
To determine the criteria, you need to be able to answer the question: What is it in accordance with? For example, the criteria for financial statement balances could be their financial reporting framework in accordance with *CPA Canada Handbook*, i.e., GAAP or a financial reporting framework specified in an agreement.

The criteria may be included in law, contract or regulation. The criteria may be clearly defined, may require some interpretation or significant interpretation. CSRS 4460 requires that you identify items subject to significant interpretation, if any, and define or interpret them.

Some requests from the third party are in the nature of a questionnaire or a form where the answer may be yes or no. In some cases there may not be actual criteria defined by the third party, but in others, in order to answer yes or no, criteria will have to be identified by the practitioner. To determine how to proceed, you could ask yourself: What would you use as a measure to determine if the answer to the question is yes or no?

In conclusion, in completing an engagement under CSRS 4460 you cannot design the procedures until you have an understanding of the request, established or identified the criteria and determined if any significant interpretations are required.

The procedures you will perform are a matter of professional judgment and will be specific to the entity and the request. Therefore, the process could be depicted as:



Keep in mind that you likely already know information about the supplementary matter from the related review or audit engagement.

QUESTION

When the request is in the form of a questionnaire, do all questions require interpretations?



It is a matter of professional judgment. Some questions will require more interpretations than others. For example:

1. *Does management complete a full inventory count on the year end?* The question is asking for an absolute answer (i.e., yes or no). This question is quite clear and requires little interpretation.

versus.

2. *Does management count inventory on a regular basis?* Now more interpretation is necessary. The term “regular basis” needs to be interpreted. The significant interpretation is required to be **documented** in the working papers. It could mean: monthly. semi-annually. annually. wall-to-wall count or cycle count.

QUESTION

What is a “significant” interpretation?



It is a matter of professional judgment but in general terms there is a significant interpretation if the criteria or terminology used are not fully specified in the request, legislation, etc., and you feel that different people would likely reach different conclusions based on their interpretations.

It is not a requirement that you discuss or reach an agreement with the third party, but having a discussion on the matter can be considered if it will help ensure that the needs of the third party are met.

The following examples illustrate the planning process and the identification of potential procedures. Other useful examples of procedures are included in CSRS 4460 paragraphs A44-A50.

Example 1: Prescribed form on enrolment

(The related engagement is an audit or review of the financial statements)

(Information prepared by the practitioner)

Request from Provincial Ministry

Request	Criteria (i.e., What is it in accordance with?)	Potential procedures (Note 1)
Question to be answered on a prescribed form that you have been asked to complete and sign: <i>What is the number of full-time students enrolled on October 31?</i>	<p>The definition included in the legislation for the term “full-time students enrolled”.</p> <p>Relevant questions can include:</p> <p>Is “full-time enrolment” clearly defined in the <i>Act/legislation</i>? If it is not clearly defined, then it becomes an interpretation.</p> <p>How does management define the enrolment in the context of the <i>Act/legislation</i>?</p>	<p>Read the <i>Act/legislation</i> to see if the criteria are clearly defined. Look for a definition of “full time” and “enrolled”.</p> <p>Ask management about the definitions and how the internal reporting systems will identify and apply the criteria in the data.</p> <p>Ask how management determines that the numbers are accurate? If the process sounds reasonable, based on your professional judgment, you may decide to do nothing further. If you become aware of issues with the process or data then you may need to do more.</p> <p>Obtain or inquire about the data.</p> <p>Inquire about the controls over the process.</p> <p>Since you have completed an audit or review of the financial statements, you could cross-reference to relevant information/evidence in a related engagement. Would you have used that enrolment data in any of your audit procedures (e.g., the performance of analytical procedures on tuition revenue)?</p> <p>Consider obtaining representation from management on the enrolment data and the controls in place</p>

Note 1: The extent of procedures to be completed is dependent on professional judgment and may be affected by the responses to the questions asked and the information received. This list of procedures is not finite, nor does it imply that all the procedures are required in a particular situation.

Example 2: Funding agreement with municipal government requesting supplementary information on the breakdown of administration costs or specific program costs

(The related engagement is an audit or review of the financial statements)

(Information prepared by management)

In this case the data will be financial in nature and will be a listing of expenditures and information of any allocations made by management. Since management will be preparing the information, CSRS 4460.21 requires additional procedures to be performed. The additional procedures required when management is preparing the supplementary matter may include the following:

- Obtain an understanding of the methods used by management to prepare the supplementary matter.
- Take into account the criteria used by management *to prepare* the supplementary matter when considering the criteria that will be used *to assess* the supplementary matter. **(This is a key difference when management prepares the supplementary matter.)**
- Take into account the interpretations made by management while preparing the supplementary matter when considering which, if any, interpretations are significant.

Request from municipal government

Request	Criteria (i.e., What is it in accordance with?)	Potential procedures (Note 1)
Supplemental schedule on breakdown of administration costs.	<p>The definition that the funding agreement used to define the nature of administration costs.</p> <p>Relevant questions can include:</p> <p>Are administrative costs clearly defined in the funding agreement? If they are not clearly defined, then it becomes an interpretation.</p> <p>How does management define administrative costs?</p>	<p>Read the funding agreement from the municipal government to obtain an understanding of the request regarding the breakdown of the administrative costs. Identify the criteria and any interpretations needed.</p> <p>Obtain the supplementary information prepared by management.</p> <p>Ask management about the definitions and interpretations, if any, and how the internal reporting systems will identify and apply the criteria in the data. <i>(This review of interpretations is an important difference when management prepares the supplemental matter.)</i></p>

Request from municipal government

Request	Criteria (i.e., What is it in accordance with?)	Potential procedures (Note 1)
		<p>Obtain an understanding of the process/controls used to compile the information.</p> <p>Scan the information for any unusual matters based on your knowledge from the related audit or review engagement.</p> <p>Tie in the numbers to the general ledger or financial statements.</p> <p>Since you have completed an audit or review of the financial statements, you could cross-reference to relevant information/evidence in a related engagement. For example, did you complete any analytical/substantive procedures or tests of control on administrative costs?</p> <p>Consider obtaining representation from management on the breakdown of the administrative costs and the controls in place.</p>

Note 1: The extent of procedures to be completed is dependent on professional judgment and may be affected by the responses to the questions asked and the information received. This list of procedures is not finite, nor does it imply that all the procedures are required in a particular situation.

Reminder: [Document](#) significant interpretations and then determine if you want to disclose any such interpretations in your [report](#).

QUESTION

How do I decide the appropriate mix of procedures? (Or when do I know I have done enough work?)



It is a matter of professional judgment. You need to perform the procedures you consider necessary to form a basis for your report. You may consider the following factors:

- You are not gathering evidence to support an audit or review engagement (i.e., you are not issuing an audit opinion or review conclusion).
- Exercise due care.
- Consider what other practitioners would feel is appropriate in the circumstances.
- Consider whether you are aware that the supplementary matter is false and misleading.
- Complete a “stand-back assessment” and consider if the procedures completed will meet the expectations of the third party and allow you to form a basis for your report.

QUESTION

Do I always have to obtain a representation letter documenting any management assertions related to the engagement under CSRS 4460?



No. A management representation letter is not required but it may be considered useful (see paragraph 4460.A37).

Step 5

Issue an appropriately worded report in writing, on a timely basis (see paragraph 4460.26-28).

CSRS 4460 creates a **new** reporting responsibility. There will be situations:

- where you have responded to the request from a third party in the past and there may be a change in the communication that you send now that CSRS 4460 exists or
- there may be instances where an engagement could not be completed before, but now can be performed under CSRS 4460.

In some circumstances it may be desirable to show the third party the expected form of the communication before the engagement is accepted to ensure it will be acceptable to them.

Requirement	Practical Considerations and Examples
<p>The written report shall be appropriately worded and issued on a timely basis.</p> <p>(See paragraph 4460.26.)</p>	<p>The report clearly explains the nature of the engagement and your role and responsibilities in the engagement.</p> <p>The other reporting responsibility may not specify when a report is to be issued. However, there is an expectation that under certain conditions the report would be issued on a timely basis to enable the third party to take action.</p> <p>Factors to consider regarding timeliness include:</p> <ul style="list-style-type: none"> • the nature and sensitivity of the item being reported • legislative requirements and common practice in industry. <p>For example, if you have identified circumstances that may call into question the viability of the entity, the third party would likely expect a report to be issued on a timely basis.</p> <p>(See paragraphs 4460.A52-A53.)</p>
<p>What is the appropriate title of a report under CSRS 4460?</p> <p>(See paragraph 4460.27(a).)</p>	<p>The title distinguishes the report from what would be issued in an audit or review engagement.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Report on Supplementary Matters Arising from an Audit Engagement • Report on Supplementary Matters Arising from a Review Engagement <p>(See paragraph 4460.A54.)</p>
<p>Who is the appropriate addressee?</p> <p>(See paragraph 4460.27(b).)</p>	<p>The addressee required by the circumstances of the other reporting responsibility can vary. The addressee may be:</p> <ul style="list-style-type: none"> • specified in the <i>Act</i>/legislation, agreement, etc. • agreed upon with management, as appropriate • agreed upon by the third party, as appropriate. <p>When the report is to be addressed to the third party, a copy of the report may be provided to management or those charged with governance.</p> <p>For example: To municipal government</p> <p>In certain circumstances, you may be requested, or you may conclude that it is more appropriate, to only provide a copy of the report to the third party. For example, if you are asked to comment on the effectiveness of management or those charged with governance.</p> <p>(See paragraph 4460.A55-A56.)</p>

Requirement

Practical Considerations and Examples

The **identification of the other reporting responsibility to which the report relates**, including:

- any specific reference to law, regulation or agreement
- the identification of the supplementary matter to which the report relates
- where applicable, the date or period to which the supplementary matter relates
- who prepared the supplementary matter (i.e., management or the practitioner).

(See paragraph 4460.27(c).)

Sometimes the identification of the supplementary matter is clearly evident based on the way it is presented. For example: “Management prepared the supplementary matter.”

Alternatively, it may be specific, such as: “Management prepared the schedule of administrative costs.”

In some circumstances when the supplementary matter is included in a document that contains other information, you may consider, if the form of presentation allows, identifying the page numbers on which the supplementary matter is presented. Including page numbers may help readers identify the supplementary matter to which the practitioner’s report relates.

Another example:

In accordance with the funding with the municipal government, we have been engaged to submit the schedule of administrative costs for the year ended March 31, 20X1 (the “other reporting responsibility”).

The supplemental schedule on administrative costs is provided in Schedule A.

(See paragraph 4460.A57.)

The **identification of the related audit or review engagement** that was or is being carried out.

When the report for the related audit or review engagement has been issued, include the date of the report or state that the related engagement has not yet been completed when this is the case.

(See paragraph 4460.27(d).)

You may refer to the type of opinion expressed or review conclusion on the related audit or review engagement. For example, when the other reporting responsibility relates to schedules accompanying financial statements on which the auditor has expressed a qualified opinion, it may be relevant to inform the third party.

You may be required by the other reporting responsibility to report a condition or event that is identified prior to the completion of the related audit or review engagement. In such circumstances, state in your report that the related audit or review engagement has not yet been completed.

Examples include:

This other reporting responsibility relates to our audit of the financial statements of ABC Social Services for the year ended March 31, 20X1, on which we issued our report dated May 2, 20X1.

Or

This other reporting responsibility relates to our audit of the financial statements of ABC Social Services for the year ended March 31, 20X1, which we have not yet completed.

(See paragraph 4460.A58-A59.)

Requirement	Practical Considerations and Examples
<p>A statement that the report was prepared in accordance with CSRS 4460.</p> <p>(See paragraph 4460.27(e).)</p>	<p>For example:</p> <p>This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, <i>Reports on Supplementary Matters Arising from an Audit or a Review Engagement</i>.</p>
<p>An indication of the responsibilities of the practitioner, including the responsibility to:</p> <ul style="list-style-type: none"> • report on the supplementary matter • comply with ethical requirements • plan and perform procedures to address the other reporting responsibility. <p>(See paragraph 4460.27(f).)</p>	<p>For example:</p> <p>Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility.</p>
<p>A statement that the procedures were selected based on the professional judgment of the practitioner to enable the practitioner to form a basis for the report; and vary in nature from, and are less in extent than for, procedures necessary to enable the practitioner to express an audit opinion or a review conclusion.</p> <p>(See paragraph 4460.27(g).)</p>	<p>For example:</p> <p>The procedures were selected based on our professional judgment to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than for, those required when providing an audit opinion or a review conclusion.</p> <p>In addition, it may be useful to add a caution such as:</p> <p>Users are cautioned that the procedures performed may not be suitable for their purposes</p>

Requirement

Practical Considerations and Examples

A statement that the practitioner does not express an audit opinion or a review conclusion on the supplementary matter.

(See paragraph 4460.27(h).)

For example:

Accordingly, we do not express an audit opinion or a review conclusion on the supplementary matter.

When applicable, a statement that the supplementary matter includes items that are subject to significant interpretation for which the practitioner has not received interpretations from the third party and that the practitioner's interpretations may differ from other interpretations.

(See paragraph 4460.27(i).)

Various terms are often used in legislation and regulation to describe the supplementary matter, such as "sound financial practices," "circumstances of the financial institution" or "well-being." Such terms are often not defined in the other reporting responsibility. Your understanding of terms that are not well defined may differ from that of the third party. This may lead to different interpretations of the supplementary matter and to inconsistent reporting by different practitioner.

You are not required to list terms and/or interpretations in the practitioner's report. However, you may choose to do so. If you do, the terms and/or interpretations may be included in the body of the report or added as an appendix.

Sample statement:

The other reporting responsibility contains certain items that are subject to significant interpretation for which we have not received an interpretation from municipal government.

These items, and our significant interpretations of them, are as follows: [list items and interpretations – see below for examples].

Such interpretations may differ from those of others.

Examples include:

We interpreted "adequate books and records" to mean that the accounting ledgers and related source documentation were sufficient to enable us to opine without qualification on the related financial statement audit.

We interpreted "timely" to mean within one week.

(See paragraphs 4460.A60-A61.)

Requirement

Practical Considerations and Examples

Address the other reporting responsibility.

(See paragraph 4460.27(j).)

You need to conclude on the supplementary matter in your report.

There are many different types of engagements, so you may be required to attach the report to a questionnaire, form or similar document. In other circumstances, the report may be issued on its own and not be linked to another document.

When the report is not linked to another document, the report would contain all the information required to meet the other reporting responsibility. For example, the practitioner may describe transactions or conditions encountered, or state that no relevant transactions or conditions were encountered.

You may choose to include other information that may be relevant or of interest to the third party including, for example, criteria against which the supplementary matter was assessed or the procedures performed. This information may be included in the body of the report or added as an appendix.

Sample:

In response to the other reporting responsibility, [include description of how the other reporting responsibility has been met—see examples below].

Possible wording for various reporting responsibilities:

Report on supplemental schedules: The supplemental schedules required to be provided by Regulation X are provided in Schedule A.

Complete a questionnaire: We have completed the attached questionnaire.

Report instances of non-compliance with law, regulation or agreement: We have identified the following instances of non-compliance with Regulation X [add list].

Report on key financial ratios: The current ratio as defined in Regulation X is 2:1.

Report observations made or items of interest to the third party: We report that the entity is subject to a significant lawsuit, as described below.

Provide recommendations: Our recommendations to management are included in Appendix A.

(See paragraphs 4460.A62-A64.)

Requirement	Practical Considerations and Examples
<p>Specify the name of the intended user and state that the report is intended solely for the intended user and should not be used by other parties.</p> <p>(See paragraph 4460.27(k).)</p>	<p>You are required to restrict the use of the report to the intended user. However, in addition to restricting the use of the report to the intended user, you may also restrict distribution of the report.</p> <p>For example:</p> <p>This report is intended solely for use by municipal government and should not be used by other parties.</p> <p>The distribution of this report is restricted to the municipal government and should not be provided to any other parties.</p> <p>(See paragraph 4460.A65.)</p>
<p>Include the signature of the practitioner.</p> <p>(See paragraph 4460.27(l).)</p>	<p>In some cases, the third party asks you to sign the prescribed form where the form contains only a line for a signature rather than a report to be signed. Since you are attaching a report prepared in accordance with CSRS 4460 to the prescribed form, you would not need to also sign the prescribed form.</p> <p>(See paragraph 4460.A66.)</p>
<p>The report is dated on the date you have completed the engagement in accordance with CSRS 4460.</p> <p>(See paragraph 4460.27(m).)</p>	
<p>Include the practitioner's address.</p> <p>(See paragraph 4460.27(n).)</p>	

In addition, see sample reports in Appendix 1 of CSRS 4460.

Documentation

Reference in Figure 1

Documentation

The purpose of the documentation is to provide a clear link to the basis of the report.

The extent of documentation is ultimately a matter of professional judgment, however CSRS 4460 requires certain items to be documented, including the following:

- A copy of the supplementary matter and the practitioner's report.
- The third party requirement (or at least a reference to it) i.e., the letter, agreement, contract, prescribed form, etc. In the case of a prescribed form or questionnaire, this may be self-evident from the document itself.
- Written terms of engagement.
- Significant interpretations made during the course of the engagement.
- The criteria established by the practitioner in planning and performing the engagement.
- The procedures performed and the results thereof to support the report and to demonstrate that the engagement was carried out in accordance with CSRS 4460 and the terms of the engagement.

Documentation **may** also include the following:

- A copy of communications with the third party, if any.
- A record of matters of continuing relevance to future engagements.
- Other information that the practitioner used to fulfill the other reporting responsibility.
- Management representations.

Documentation always includes enough information to indicate who performed the procedures, the source of the information, who completed the review and when it was performed. The extent of documentation is ultimately a matter of professional judgment (see paragraph 29 and A69 – A70).

QUESTION

Do I need a separate working paper file for an engagement completed under CSRS 4460?



No. You need to complete the required engagement documentation but it may be included in the related audit or review working paper file.

It may reduce the risk of non-compliance to the documentation requirements if a separate folder or section is set up and reference is made to the related audit or review file. Also, keep in mind that if you include the documentation for the CSRS 4460 engagement in an audit file, the lock-down provisions under the quality control standards are applicable. (See Canadian Standard On Quality Control, CSQC 1, *Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, paragraphs 45 and A54-A55.)

Appendix A – Prohibitions

Assuming the request is within the scope of CSRS 4460, when can you NOT accept the engagement?

	Clarification or example	Reference
<p>Ask yourself the following questions to be satisfied that the engagement under CSRS 4460 can be accepted. If you answer yes to any of these questions, the engagement cannot be accepted until the condition noted has been rectified.</p>		
<p>Title of form</p> <p>1. Has the third party provided a prescribed form that has a title or content that implies an audit or a review engagement was performed on the supplementary matter?</p>	<p>Examples of titles, content or words that would not be acceptable include the following: Audit Form, Auditor’s Report, Review Engagement Report, Certification, Opinion.</p>	<p>4460.13(a)(i) and 4460.A22</p>
<p>Terminology within a form</p> <p>2. Has the third party provided a prescribed form that refers to an audit or a review having been performed with respect to the supplementary matter?</p>	<p>Examples of words or phrases that actually refer to or imply an audit or review include the following: in my opinion,” “verify,” “certify” or “confirm”, and would generally not be acceptable.</p> <p>Professional judgment is needed to assess if the words in the context used are acceptable. For example, if use of these terms implies that you are forming a conclusion on the prescribed form as a whole (e.g., certifying that the contents of the form are correct), you would not accept the engagement. However, if a questionnaire asks you to certify that you observed the entity’s year-end inventory count as part of the audit engagement, then it is acceptable.</p>	<p>4460.13(a) (ii) and 4460.A23</p>

	Clarification or example	Reference
<p>Format of a report</p> <p>3. Does the other reporting responsibility prescribe the wording of the report to be issued by the practitioner that is not in accordance with the requirements of CSRS 4460?</p>	<p>The reports under CSRS 4460 must meet the required elements as described in paragraph 4460.27 but the actual wording of each report will be unique to the engagement. Professional judgment is required to draft or accept the report to ensure it is in accordance with the standard. Two examples are provided in CSRS 4460 to illustrate compliance.</p>	<p>4460.13(b) and 4460.27</p>
<p>Expertise of engagement team</p> <p>4. Is the other reporting responsibility outside of the area of expertise required by the engagement team completing the related audit or review engagement?</p>	<p>Your engagement team(s) must have the expertise to perform the related audit and review engagement as well as the engagement under CSRS 4460. Separate teams may perform each engagement.</p>	<p>4460.13(c) and 4460.A24</p>
<p>The third party has requested an audit or review on the supplementary matter</p> <p>5. Does the other reporting responsibility require an audit or a review engagement to be performed on the supplementary matter?</p>	<p>Since CSRS 4460 does not provide an audit opinion or review conclusion and, if the request is for an audit or review level of assurance, it cannot be accomplished within this standard. An alternative engagement may be more suitable (e.g., one under Canadian Standard on Assurance Engagements [CSAE] 3000, <i>Attestation Engagements Other than Audits or Reviews of Historical Financial Information</i> or CSAE 3001, <i>Direct Engagements</i>).</p>	<p>4460.13(d) and A25-A26</p>
<p>Electronic submission that prevents the attachment of a report</p> <p>6. Does the other reporting responsibility require you to report in electronic format but the applicable technology does not allow us to attach a copy of the report prepared in accordance with CSRS 4460?</p>	<p>Electronic submission is not prohibited but the report provided to the third party is required to meet the reporting standards of CSRS 4460. This can be achieved by modifying the electronic format or by attaching a CSRS 4460 report to the electronic submission or the engagement cannot be accepted.</p>	<p>4460.14, 4460.27 and 4460.A27-28</p>

Appendix B—Engagement Letter

Example of insert in the related review or audit engagement letter (when engaged by management)

Other reporting responsibilities

In accordance with [describe the law, regulation or agreement from which the other reporting responsibility arose], we have been engaged to [describe the other reporting responsibility, including, where applicable, the date or period to which it relates].

We [or management, where applicable,] are responsible for preparing the supplementary matter.

We will plan and perform our procedures in accordance with Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*, to form a basis on which to report. Our report will be prepared in accordance with CSRS 4460. We will not express an audit opinion or a review conclusion on the supplementary matter. [A sample of this report has been added to Appendix X.] There may be circumstances in which our report may differ from its expected form and content.

Our responsibility will be to report on the supplementary matter. The standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility.

Management will provide the information necessary to complete this report.

(Consider whether to attach sample report as an Appendix to this engagement letter. This is not required but may be useful, particularly in the first year of an engagement under CSRS 4460.)

In some circumstances you may be engaged directly by the third party. It is recommended that your client provide consent to the provision of information to the third party. An example of the possible modification to the terms of the audit or review engagement, with the differences from the above engagement term modifications indicated **in bold**, is included below:

Other Reporting Responsibilities (when engaged by the third party)

In accordance with [describe the law, regulation or agreement from which the other reporting responsibility arose], we have been engaged **by [insert third party]** to [describe the other reporting responsibility, including, where applicable, the date or period to which it relates].

We [or management, where applicable,] are responsible for preparing the supplementary matter.

We will plan and perform our procedures in accordance with Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*, to form a basis on which to report. Our report will be prepared in accordance with CSRS 4460. We will not express an audit opinion or a review conclusion on the supplementary matter. [A sample of this report has been added as Appendix X.] There may be circumstances in which our report may differ from its expected form and content.

Our responsibility will be to report on the supplementary matter. The standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility.

Management will provide the information necessary to complete this report.

Since we are being engaged by the third party to report on the supplementary matter, management agrees to provide consent to communicate matters related to the supplementary matter to the third party.

(Consider whether to attach sample report as an Appendix to this engagement letter. This is not required but may be useful, particularly in the first year of an engagement under CSRS 4460.)

Additional Resources

1. Auditing and Assurance Standards Board (AASB), CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*
2. AASB, Basis for Conclusions for CSRS 4460
3. CPA Canada, Audit and Assurance Alert: CSRS 4460 – *A New Standard for Reports on Supplementary Matters: Are You Ready?* (October 2014)
4. CPA Canada, Practitioner Client Briefing – CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement* (February 2015)

About This Publication

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Members

Tina Abedrabbo, CPA, CA

Deloitte LLP
Toronto, ON

Agnes Dykstra, CPA, CA

PricewaterhouseCoopers LLP
Toronto, ON

Nazia Lakhani, CPA, CA

BDO Canada LLP
Toronto, ON

Heather Rahman, CPA, CA

KPMG LLP
Toronto, ON

Katherine Schamerhorn, CPA, CA

Grant Thornton LLP
Kelowna, BC

Staff

Taryn Abate, CPA, CA, CPA (IL)

CPA Canada

Jacqui Kuypers, CPA, CA, MBA

CPA Canada

Author

Jane M. Bowen, FCPA, FCA

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