

Audit & Assurance Alert

CANADIAN STANDARD ON RELATED SERVICES (CSRS) 4400, AGREED-UPON PROCEDURES

AUGUST 2020

Standard Discussed:

CSRS 4400, *Agreed-upon Procedures Engagements*

This *Audit & Assurance Alert (Alert)* is being issued to raise awareness about the new Canadian Standard on Related Services (CSRS) 4400, *Agreed-upon Procedures Engagements*.

CSRS 4400 replaces:

- Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements*
- Section 9110, *Agreed-upon Procedures regarding Internal Control over Financial Reporting*

Why should you read this *Alert*?

Agreed-upon procedures (AUP) engagements are widely used by practitioners in Canada and the demand for AUP engagements by engaging parties continues to grow. The new standard seeks to respond to the needs of stakeholders, provide clarity in the AUP report and enhance consistency in the performance of AUP engagements. This *Alert* informs practitioners of the significant changes in CSRS 4400, relative to extant Sections 9100 and 9110, as a result of these intended outcomes.

This *Alert* does not address all aspects of CSRS 4400; practitioners should refer to CSRS 4400 for additional requirements.

When is CSRS 4400 effective?

CSRS 4400, *Agreed-upon Procedures Engagements*, will be effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022, with early application permitted. For terms of engagement covering multiple years, practitioners and engaging parties are encouraged to update the terms of engagement so that the AUP engagements will be conducted in accordance with CSRS 4400 on or after the effective date.

What has changed?

The scope of this new standard has been broadened relative to extant Sections 9100 and 9110 to meet the demand for AUP engagements on both financial and non-financial matters.

The new CSRS 4400 largely mirrors ISRS 4400 (Revised), although CSRS 4400 is replacing two extant Canadian standards. The limited amendments made to reflect Canadian circumstances are included in this *Alert*.

Key differences from the existing standards include:

1. Scope and Responsibilities

- The scope of CSRS 4400 covers AUP engagements on both financial and non-financial subject matters.
- The new standard clarifies the practitioner's responsibilities in relation to the various parties involved in an AUP engagement. Such parties include the engaging party, the intended users of the AUP report, and the party responsible for the subject matter on which the AUP are performed.
- The new standard clarifies the objectives in order to assist the practitioner in understanding what needs to be accomplished in an AUP engagement.

2. Independence

- CSRS 4400 does not include a pre-condition for the practitioner to be independent when performing an AUP engagement. This is similar to extant Sections 9100 and 9110, which acknowledge that independence may bear on the practitioner's ability to perform an engagement objectively and refer the practitioner to the applicable rules of professional conduct and code of ethics.

The International Auditing and Assurance Standards Board (IAASB) has prepared a fact sheet which provides an overview of changes made to ISRS 4400 (Revised). The IAASB fact sheet is available in both English and French using the following links:

- [Introduction to ISRS 4400 \(Revised\), Agreed-Upon Procedures Engagements](#)
- [Coup d'oeil sur : La norme ISRS 4400 \(révisée\), Missions de procédures convenues](#)

- However, the new standard recognizes that, even when the practitioner may not be required (e.g., by law or regulation, an ethics code¹ or a contract) to comply with independence requirements, the practitioner may agree with the engaging party that compliance with independence requirements is appropriate for the purpose of the AUP engagement.
- The new AUP report requires that a statement on independence be included. The required statement depends on whether or not the practitioner is required to comply with identified independence requirements for the purpose of the AUP engagement.

3. Professional Judgment

- CSRS 4400 contains new, explicit requirements for the practitioner to exercise professional judgment throughout the engagement in accepting, conducting and reporting on an AUP engagement, taking into account the circumstances of the engagement. The application material includes examples of how professional judgment is exercised in an AUP engagement.

4. Engagement Acceptance or Continuance

- New requirements introduce specific conditions for accepting or continuing the AUP engagement that must be met. Practitioners are required to understand the purpose of the engagement and decline the engagement if facts and/or circumstances indicate that the procedures are not appropriate for the purpose of the engagement.
- If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner must promptly communicate this information to the firm so that the firm and the engagement partner can take necessary action.
- New application material provides support, including by:
 - highlighting considerations in circumstances where the planned AUP are modified during the engagement as well as considerations for recurring engagements
 - clarifying the specificity with which AUP and findings are described as well as describing which terms may not be appropriate in the context of a particular engagement
 - highlighting that certain procedures may be prescribed by law or regulation and that these procedures will be subject to the conditions of specificity referred to above

5. Using the Work of a Practitioner's Expert

- New requirements and application material of CSRS 4400 provide guidance on how a practitioner's expert can assist the practitioner in an AUP engagement.

¹ Practitioners should refer to the independence requirements in the rules of professional conduct / code of ethics (the "CPA Code") issued by the respective professional accounting bodies, which apply to the practice of public accounting. The CPA Code does not currently address whether a practitioner is required to be independent when performing an AUP engagement under CSRS 4400.

- If the practitioner will use the work of a practitioner's expert:
 - The practitioner is responsible for the findings in the AUP report, therefore the practitioner's involvement in the work of a practitioner's expert must be sufficient for the practitioner to meet this responsibility.
 - The practitioner may refer to the work performed by a practitioner's expert in the AUP report, either voluntarily or in compliance with law or regulation. Where such reference is made, the wording of the report shall not imply that the practitioner's responsibility for performing the procedures and reporting the findings is reduced because of the involvement of an expert.

6. The Agreed-upon Procedures Report

- There are enhanced transparency requirements and the new report will:
 - identify and explain the various parties involved in the AUP engagement
 - state whether or not the practitioner is required to comply with independence requirements, and if so, the relevant independence requirements
 - confirm that the engagement was performed in accordance with CSRS 4400
- CSRS 4400 does not require the practitioner to include a statement that the report is restricted to those parties that have agreed to the procedures to be performed. Such a restriction is now based on the discretion of the practitioner. The application material in CSRS 4400 guides the practitioner in deciding whether to restrict the use or distribution of the AUP report.
- CSRS 4400 also contains new requirements and application material to address circumstances when a summary of findings is provided in the AUP report and when the practitioner is undertaking an AUP engagement together with another engagement.

7. Canadian Amendments to ISRS 4400 (Revised)

- CSRS 4400 is adapted from ISRS 4400 (Revised), and Canadian amendments are made to address circumstances particular to Canada.
 - References to the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants* (including International Independence Standards ["IESBA Code"]) have been replaced with relevant ethical requirements set out in the rules of professional conduct and code of ethics which are issued by the various professional accounting bodies and apply to the practice of public accounting.
 - International Standard on Quality Control (ISQC) 1 applies to assurance and related services, including ISRS 4400 (Revised). However, Canadian Standard on Quality Control (CSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, applies only to assurance engagements and does not apply to related services engagements such as CSRS 4400. Consequently, Canadian amendments are made to address this difference.

Practitioners should be aware that there are two ongoing developments that will likely impact the wording of this set of Canadian amendments in the future:

- i. The IAASB is undertaking a project to revise ISQC 1 and replace it with a new standard: International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. ISQM 1 is intended to apply to related services engagements. The AASB proposes to adopt ISQM 1 as Canadian Standard on Quality Management (CSQM) 1.
- ii. Conforming amendments may be needed when CSQM 1 is finalized.

To help highlight the fact that these Canadian amendments may be updated when CSQM 1 and related conforming amendments are finalized, the relevant amendments are shaded in grey in the standard.

What additional resources are available to help me?

1. [Basis for Conclusions](#) August 2020
2. [IAASB Introduction to ISRS 4400 \(Revised\) Agreed-upon Procedures Engagements Fact Sheet](#)

CPA Canada also plans to publish an implementation tool for practitioners to help you implement the revised standard and to inform your clients on changes they can expect to see.

Feedback

If you have comments on this *Audit & Assurance Alert* or suggestions for future *Alerts*, please send them to:

Andrea Lee, CPA, CA

Principal, Audit and Assurance
 Research, Guidance and Support
 Chartered Professional Accountants of Canada
 277 Wellington Street West
 Toronto, Ontario M5V 3H2
 Email: andrealee@cpacanada.ca

DISCLAIMER

This *Implementation Tool for Auditors* was prepared by the Chartered Professional Accountants of Canada (CPA Canada) as non-authoritative guidance. CPA Canada and the authors do not accept any responsibility or liability that might occur directly or indirectly as a consequence of the use, application or reliance on this material. This *Implementation Tool for Auditors* has not been issued under the authority of the Auditing and Assurance Standards Board.

Copyright © 2020 Chartered Professional Accountants of Canada

All rights reserved. This publication is protected by copyright and written permission is required to reproduce, store in a retrieval system or transmit in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise).

For information regarding permission, please contact permissions@cpacanada.ca.