

Practitioner Alert: Comparing Compliance Engagements

CANADIAN STANDARDS OTHER THAN CANADIAN AUDITING STANDARDS

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Standards-related matters to consider in deciding which type of compliance engagements to offer

Are you well prepared to discuss with potential clients the different types of compliance engagements you may provide? Are you familiar with the similarities and key differences between the options outlined in the *CPA Canada Handbook* under relevant assurance and related services standards? Read this comparative summary to obtain a basis for discussions with clients and potential clients to help them decide what type of compliance engagement is likely to best meet their needs.

Introduction

The compliance engagements discussed in this comparative summary include those that would be performed under the following standards in the *CPA Canada Handbook – Assurance*:¹

- Canadian Standards for Related Services (CSRS) 4460, *Reporting on Supplementary Matters Arising from an Audit or a Review Engagement*
- CSRS 4400, *Agreed-upon Procedures Engagements*

¹ This publication does not discuss engagements under the following:

- AuG-49, *Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice During the Audit of Financial Statements*. These are engagements undertaken by public sector auditors only. AuG-49 does not apply to engagements under CSRS 4460, CSAE 3530 and CSAE 3531.
- AuG-17, *Transactions or Conditions Reportable Under the "Well-Being Reporting Requirement" in Federal Financial Institutions Legislation*. As indicated by its title, this AuG does not have wide applicability.

- Canadian Standard on Assurance Engagements (CSAE) 3530, *Attestation Engagements to Report on Compliance*, which deals with special considerations in the application of CSAE 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*
- CSAE 3531, *Direct Engagements to Report on Compliance*, which deals with special considerations in the application of CSAE 3001, *Direct Engagements*²

Entities may be required to comply with requirements established in agreements or by specified authorities (or a provision of an agreement or a specified authority). Specified authorities may include legislation, regulations, orders-in-council, directives, municipal by-laws and similar instruments through which powers are established and delegated.³

For example, agreements and specified authorities that may be the subject matter of compliance engagements include the following:

- Loan agreements
- Franchise agreements
- Trust agreements (e.g., related to legal or real estate matters)
- Lease agreements (e.g., for retail stores)
- Agreements with data trusts (i.e., legal entities created to hold data and provide access to it in accordance with specified terms that relate, for example, to privacy, confidentiality and maintaining intellectual property rights)
- Government program requirements to be met by participating entities – e.g., educational institutions (student loans and grants eligibility), housing corporations (eligibility for public housing), healthcare providers (eligibility for program funding)
- Data privacy laws and regulations or other privacy criteria – e.g., the *Personal Information Protection and Electronic Documents Act* (PIPEDA), the *Consumer Privacy Protection Act* (CPPA), foreign privacy regulations that apply to some Canadian companies (e.g., EU General Data Protection Regulation [GDPR]), Privacy by Design (PbD) principles

Engagements under CSRS 4460, CSRS 4400, CSAE 3000 and CSAE 3001 address not only compliance with specified requirements but also other subject matters that we do not discuss in this comparative summary.

The term *specified requirements* used throughout this document describes the relevant requirements with which an entity is to comply.

2 A practitioner performing an engagement under CSAE 3530 must also meet the requirements in CSAE 3000. Similarly, a practitioner performing an engagement under CSAE 3531 must also meet the requirements in CSAE 3001.

3 CSAE 3530.17(i), CSAE 3531.19(g), CSRS 4460.5(g).

Who Should Read This Comparative Summary and Why

This comparative summary is primarily directed at practitioners who are considering undertaking a compliance engagement. It is an easy-to-use reference source that compares relevant material contained in the aforementioned CSRSs and CSAEs, focusing on matters related to the type of engagement that would best meet the client's needs as well as engagement acceptance or continuance, planning, performance and reporting.

The pages you are about to read set out the following:

- Questions regarding key features of the types of compliance engagements referred to above
- Extracts from applicable CSRSs and CSAEs (requirements and application and explanatory material) related to the questions
- Matters that a practitioner may consider when informing existing and potential clients of what to expect from various types of engagements

Note that the discussion of compliance engagements in this comparative summary is not comprehensive. Addressing the detailed matters regarding the performance of each type of compliance engagements in this relatively brief document would not be practicable.

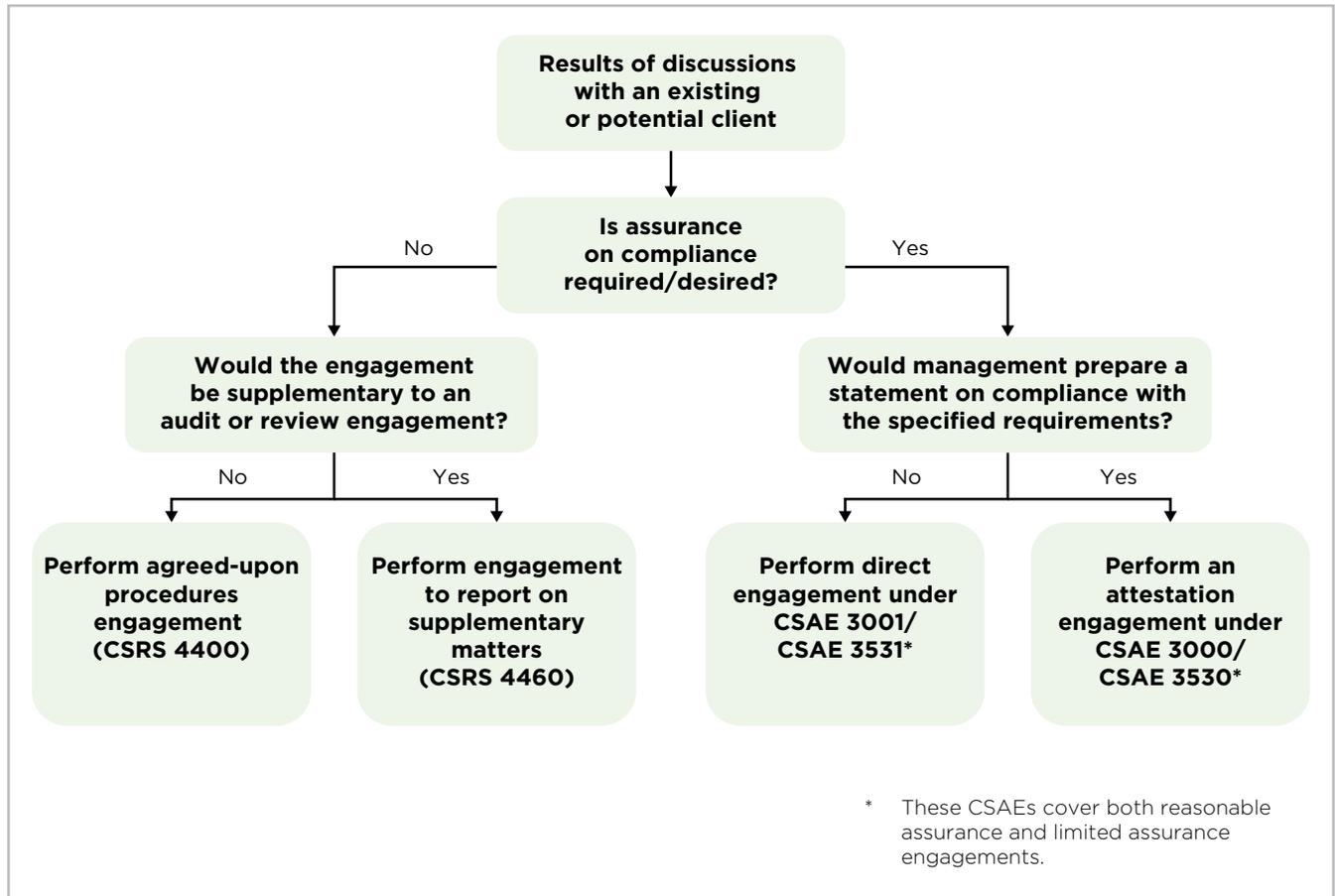
Other Relevant Reference Sources

This document is a follow-up to the CPA Canada publication, [A Framework for the Decision Maker – How to Assess the Need for Practitioner Involvement with Entity Information](#). You may find various helpful reference sources and links in the Appendix.

Comparing Types of Compliance Engagements

Diagram 1 illustrates the potential outcomes of discussions with existing and potential clients regarding the types of compliance engagements that will best suit their needs in the particular circumstances. The basic decisions are whether the practitioner will be expected to perform a related service engagement (a supplementary matters engagement or an agreed-upon procedures engagement) or an assurance engagement (an attestation engagement or a direct engagement).

DIAGRAM 1



This diagram intends to provide a basis for further discussions with the client. Additional acceptance considerations may be applicable for each engagement.

High-Level Comparison of Types of Engagements Regarding Compliance

Engagement Acceptance/Continuance

Who is the party responsible for compliance with specified requirements and, when applicable, making a written statement for users regarding compliance?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
Management, or those charged with governance of the entity. (Written statement optional) (CSRS 4460.16 and A31; 17(d))	Management, or those charged with governance of the entity. (No written statement) (CSRS 4400.24(c))	Management, or those charged with governance of the entity. (Written statement required) (CSAE 3530.20 and A9; 35(e))	Management of the entity. (No written statement) (CSAE 3531.37(e))

Matters to consider

In most cases, the entity's management is responsible for compliance. However, in some cases, the party responsible may be those charged with governance. For example, the subject matter may be compliance with specified requirements regarding the roles, responsibilities and related activities of the board of directors or one of its committees.

Further, specified requirements may have various definitions of "management." For example, management may include not only the person(s) with executive responsibility for the conduct of the entity's operations but also some or all of those charged with governance – e.g., executive members of a governance board, or an owner-manager.⁴

The assurance and related services standards cannot, of course, dictate what management can or cannot do. However, the practitioner cannot accept or continue an engagement if the related requirements in standards (including those related to the responsibilities expected of management) are not met.

⁴ CPA Canada Handbook – Assurance, Glossary.

Who can be the engaging party?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>The responsible party (e.g., management or those charged with governance); or</p> <p>In other cases (likely to be rare), a legislator or regulator or another third party</p> <p>(CSRS 4460.A16; A31)</p>	<p>The responsible party; or</p> <p>A regulator or other intended user of the practitioner’s report</p> <p>(CSRS 4400.C13(d); A11)</p>	<p>Usually, the responsible party; or</p> <p>A measurer or evaluator of compliance (other than the responsible party); or</p> <p>A legislator or regulator, an intended user of the practitioner’s report or another third party</p> <p>(CSAE 3530.A1; CSAE 3000.CA8(b); A15)</p>	<p>Usually, the responsible party; or</p> <p>A legislator or regulator, or another intended user of the practitioner’s report or another third party</p> <p>(CSAE 3531.A1; CSAE 3001.A18)</p>

Matters to consider

In most cases, the engaging party would be the responsible party (i.e., the party responsible for compliance with the specified requirements). However, other parties may be the engaging party. Since no undue restrictions are intended to affect who may be the engaging party, some of the standards refer to a “third party.”

Engagements performed under CSAE 3530 (and consequently also under CSAE 3000) are unique in that they may involve a measurer or evaluator of compliance who is other than the responsible party. That measurer or evaluator may, in some cases, be the engaging party.

There may be no engaging party. For example, in some cases, the practitioner (particularly, a public sector practitioner) may be required by law or regulation to accept the engagement, even when the requirements set out in the standards for acceptance/continuance are not met. However, an engagement conducted under such circumstances would not comply with the relevant standards. Accordingly, the practitioner could not, for example, include any reference within the practitioner’s report to the engagement having been conducted in accordance with the relevant standards.⁵

⁵ See CSAE 3001.27, for example.

What matters regarding respective roles and responsibilities of the relevant parties to the engagement need to be addressed?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>No requirement regarding the overall suitability of respective roles and responsibilities.</p>	<p>No requirement regarding the overall suitability of respective roles and responsibilities.</p>	<p>Respective roles and responsibilities of relevant parties are suitable in the circumstances of the engagement. (CSAE 3530.20(a); A9)</p>	<p>Respective roles and responsibilities of relevant parties are suitable in the circumstances of the engagement. (CSAE 3531.22(a); A8)</p>
<p>If applicable, management acknowledges in writing its responsibility for preparing the supplementary matter.</p>	<p>If applicable, the engaging party agrees in writing that the responsible party, as identified by the engaging party, is responsible for the subject matter (e.g., compliance with specified requirements) on which the agreed-upon procedures are performed. (CSRS 4400 (24)(c))</p>	<p>Management acknowledges in writing its responsibility for compliance with the specified requirements and preparing its compliance statement. However, acknowledgement is not required when management's responsibilities are set out in other sources (e.g., legislation or a contract). (CSAE 3530.17(d); 20(a); A9)</p>	<p>Management acknowledges in writing its responsibility for compliance with the specified requirements. However, acknowledgement is not required when management's responsibilities are set out in other sources (e.g., legislation or a contract). (CSAE 3531.22(a); A8)</p>

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
	<p>The engaging party (and if relevant, other parties) agrees that the procedures to be performed are appropriate for the purposes of the engagement.</p> <p>(CSRS 4400.21; 24(g) and A10)</p> <p>The engaging party and other intended users consider for themselves the suitability of the agreed-upon procedures and assess the findings reported by the practitioner to draw their own conclusions from the work performed by the practitioner.</p> <p>(CSRS 4400.4)</p>		

Matters to consider

Suitability of respective roles and responsibilities

Respective roles and responsibilities are more likely to be suitable if they are acknowledged in writing in an engagement letter or described in legislation of a contract.⁶

Responsible party in a CSRS 4460 engagement

CSRS 4460 does not specify what the responsible party is to provide except for the circumstance when that party intends to provide a statement regarding compliance. However, paragraph CSRS 4460.A39 states that the practitioner may choose to obtain a written representation from management regarding compliance, indicating that management would be responsible for such compliance.

⁶ CSAE 3530.A9 and CSAE 3531.A8.

Responsibility for compliance in a CSRS 4400 engagement

In CSRS 4400, the focus is on what is required of the engaging party – who may also be the responsible party. However, when the responsible party is not also the engaging party, the engaging party must agree in writing that the engagement will be performed on the basis that the responsible party is responsible for compliance with specified requirements.

Discussion of procedures to be performed

For CSRS 4400 engagements, the engaging party must agree that the procedures to be performed are appropriate for the purposes of the engagement. For other engagements, the nature, extent and timing of procedures to be performed are determined by the practitioner. However, for those other engagements, the practitioner may decide to discuss various procedures planned with other parties to the engagement.

Will the practitioner have access to needed information/evidence?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
Management will provide access to the information needed to meet the reporting responsibility. (CSRS 4460.17 (c))	Practitioner access to the information needed to perform the procedures. (CSRS 4400.22(b))	Practitioner access to the sources of evidence needed to support the practitioner’s conclusion. (CSAE 3000.24(b)(iv))	Practitioner access to the sources of evidence needed to support the practitioner’s conclusion. (CSAE 3001.26(b)(iv))

Matters to consider

For any of the engagement types, the practitioner must be able to access the sources of information (for CSRS engagements) and evidence (for CSAE engagements). Providing such access will most often be the responsibility of management of the entity. However, some sources of information/evidence may be external to the entity, and the practitioner needs to be able to expect access to those sources.

Do the specified requirements need to provide suitable criteria to perform the compliance engagement, and, if so, will these criteria be available to intended users of the practitioner's report?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>There is a basis for the practitioner to report (e.g., criteria can be established or identified against which to assess the compliance, including being reasonably able to make interpretations of specified requirements when needed).</p> <p>(CSRS 4460.12, A16; and .21)</p>	<p>The practitioner is not aware of any facts or circumstances indicating that the procedures that would be performed are inappropriate for the purpose of the engagement.</p> <p>(CSRS 4400.21)</p> <p>This includes any indication that the subject matter of the engagement (e.g., compliance with specified requirements) is unreliable.</p> <p>(CSRS 4400.A28)</p> <p>The practitioner will be able to describe procedures and findings in the report objectively, clearly, and in a way that is not misleading or subject to varying interpretations.</p> <p>(CSRS 4400.22(c))</p>	<p>The specified requirements:</p> <ul style="list-style-type: none"> • Comprise criteria or can be used as the basis for developing criteria, or • Can be interpreted with management acknowledging the interpretation is suitable <p>(CSAE 3530.21)</p> <p>The criteria that the practitioner expects to be applied will be made available to intended users.</p> <p>(CSAE 3000.24(b(iii)))</p>	<p>The specified requirements:</p> <ul style="list-style-type: none"> • Comprise criteria or can be used as the basis for developing criteria, or • Can be interpreted with management acknowledging the interpretation is suitable <p>(CSAE 3531.23)</p> <p>The criteria that the practitioner expects to be applied will be available to the intended users.</p> <p>(CSAE 3001.26(b(iii)))</p>

Matters to consider

For CSRS 4460 engagements, there need to be criteria against which to assess compliance. However, these criteria are not required to exhibit all the attributes of criteria suitable for an assurance engagement, which include relevance, completeness, reliability, neutrality and understandability.

CSRS 4400 makes no specific reference to suitable criteria. However, this concept is encompassed by the reference in CSRS 4400.A28 to the reliability of the subject matter (e.g., specified requirements in compliance authorities).

Engagements under the CSAEs require not only the use of criteria suitable in the circumstances of the engagement but also that such criteria be made available to users.

Does the practitioner need to comply with ethical requirements regarding independence and required expertise?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>Ability of the practitioner to comply with relevant ethical requirements, including, for example, the following:</p> <ul style="list-style-type: none"> Independence requirements (CSRS 4460.10) The other reporting responsibility being within the area of expertise required by the practitioner to complete the related audit or review engagement (CSRS 4460.14(c)) 	<p>Ability of the practitioner to comply with relevant ethical requirements including, if applicable, independence requirements. (CSRS 4400.22 (d) and (e))</p>	<p>Ability of the practitioner to comply with relevant ethical requirements including, for example, the following:</p> <ul style="list-style-type: none"> Independence requirements (CSAE 3000.22(a)) Compliance with specified requirements within the professional expertise of the practitioner (CSAE 3530.20(b)) 	<p>Ability of the practitioner to comply with relevant ethical requirements including, for example, the following:</p> <ul style="list-style-type: none"> Independence requirements (CSAE 3001.24(a)) Compliance with specified requirements within the professional expertise of the practitioner (CSAE 3531.22(b))

Matters to consider

For CSRS 4400 engagements, practitioners must have no reason to believe that they cannot comply with ethical requirements. There is no specified reference to subject matter having to be within the professional expertise of the practitioner. However, rules of professional conduct require the practitioner to sustain professional competence in all functions in which the member provides professional services.⁷

For CSRS 4460 and CSAE engagements, the practitioner is required to comply with independence requirements.

⁷ For example, rule 203 in the CPA Code of Professional Conduct issued by CPA Ontario.

For CSRS 4400 engagements, if the practitioner is required to comply with independence requirements, the practitioner can accept or continue the engagement only when the practitioner has no reason to believe the independence requirements will not be complied with.⁸ For example, rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies; laws or regulations; other professional requirements; or conditions of a contract, program, or arrangement relating to the subject matter for the agreed-upon procedures engagement may specify requirements pertaining to independence.^{9, 10} In some cases, the practitioner may agree with the engaging party to comply with independence requirements.¹¹

To which engagements does the CSQC 1 apply?¹²

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>CSQC 1 does not apply to related services engagements. CSQM 1 (including those requirements relating to engagement acceptance and continuance) is effective for related services engagements only as of December 15, 2023.¹³</p> <p>(CSQM 1 paras. 1; 30)</p>	<p>CSQC 1 does not apply to related service engagements. CSQM 1 (including those requirements relating to engagement acceptance and continuance) is effective for related services engagements only as of December 15, 2023.</p> <p>(CSQM 1 paras. 1; 30)</p>	<p>CSQC 1 (including those relating requirements to engagement acceptance and continuance) apply to all assurance engagements.</p> <p>(CSQC 1 para. 1; 26-28)</p> <p>CSQM 1 (including those requirements relating to engagement acceptance and continuance) is effective for is effective for engagements beginning on or after December 15, 2022.</p> <p>(CSQM 1 paras. 1; 30)</p>	<p>CSQC 1 (including those requirements relating to engagement acceptance and continuance) apply to all assurance engagements.</p> <p>(CSQC 1 para. 1; 26-28)</p> <p>CSQM 1 (including those requirements relating to engagement acceptance and continuance) is effective for is effective for engagements beginning on or after December 15, 2022.</p> <p>(CSQM 1 paras. 1; 30)</p>

8 CSRS 4400.22(e).

9 CSRS 4400.CA15.

10 At the date of printing, the code of professional conduct / code of ethics (the “CPA Code”) issued by the respective professional accounting bodies does not address whether a practitioner is required to be independent when performing an engagement under CSRS 4400.

11 CSRS 4400. A37-38.

12 Canadian Standard Quality Control for Firms that Perform Audits or Reviews of Financial Statements and Other Assurance Engagements (CSQC 1).

13 Canadian Standard Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance and Related Services Engagements (CSQM 1).

Matters to consider

The quality standards for firms allow for a considerable transition period before they become effective for related service engagements.

Are there other matters regarding engagement acceptance/continuance to consider particular to CSRS 4460 engagements?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
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The engagement must be supplementary to a separate audit or review engagement undertaken by the practitioner.

(CSRS 4460.13)

This supplementary engagement is not an audit or review. That must be made clear in the practitioner's report.

(CSRS 4460.14(a) and (b) and .28)

The technology for reporting in electronic form has to allow the practitioner to attach a copy of the report.

(CSRS 4460.15)

Matters to consider

Because a CSRS 4460 engagement is linked to an audit or review engagement, it is important to avoid any expectation or misperception that the practitioner is obtaining assurance regarding compliance.

Planning and Performing the Engagement

To what aspects of the engagement does the practitioner apply professional judgment?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>In fulfilling the other reporting responsibility including, for example, deciding whether to accept the engagement, properly conducting the engagement and selecting the procedures to perform. (CSRS 4460 11; A15 and Appendix example report)</p>	<p>Accepting, conducting and reporting on the engagement, taking into account the circumstances of the engagement. (CSRS 4400.18)</p> <p>However, the need for professional judgment in conducting the engagement is limited. (CSRS 4400.A23)</p>	<p>Planning and performing the engagement, including, for example, determining the following:</p> <ul style="list-style-type: none"> • The suitability of criteria • The nature, timing and extent of procedures • For a limited assurance engagement, whether a meaningful level of assurance can be obtained <p>(CSAE 3000.38; A47; A81)</p>	<p>Planning and performing the engagement, including, for example, determining the following:</p> <ul style="list-style-type: none"> • The suitability of criteria • The nature, timing and extent of procedures • For a limited assurance engagement, whether a meaningful level of assurance can be obtained <p>(CSAE 3001.42; A45; A80)</p>

Matters to consider

While the wording in the respective standards differs somewhat, the practitioner is expected to exercise professional judgment in planning and performing each aspect of a compliance engagement.

Assurance engagements under the CSAEs tend to be more complex and therefore present more matters regarding which professional judgment needs to be applied.

The need for professional judgment in conducting a CSRS 4400 engagement is limited for the following reasons:

- The practitioner and engaging party have agreed that the procedures are appropriate for the purpose of the engagement.
- The procedures and findings are capable of being described objectively – in terms that are clear, not misleading and not subject to varying interpretation.
- The findings can be objectively verified. (CSRS 4400.A23)

CSAE 3530 and CSAE 3531 contain no requirements or other guidance regarding the application of professional judgment, since these requirements and guidance are contained in CSAE 3000 and CSAE 3001.

To what aspects of the engagement does the practitioner apply professional skepticism?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
CSRS 4460 makes no reference to the application of professional skepticism.	CSRS 4400 makes no reference to the application of professional skepticism.	The practitioner is required to plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that cause management's compliance statement to be materially misstated. (CSAE 3000.37)	The practitioner is required to plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that cause compliance to deviate from the applicable criteria. (CSAE 3001.41)

Matters to consider

Professional skepticism is an attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement (in an attestation engagement) or possible deviation from applicable criteria (in a direct engagement), and a critical assessment of evidence.¹⁴

Since CSRS 4460 and CSRS 4400 engagements do not involve obtaining evidence on which to base a conclusion regarding material misstatement or significant deviation, professional skepticism does not apply to these engagements.

¹⁴ CSAE 3000.C9(u) and CSAE 3001.14(t) and (d).

Does the engagement entail assessing and responding to risks of non-compliance with specified requirements?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>The engagement does not entail assessing and responding to risks of non-compliance.</p>	<p>The engagement does not entail assessing and responding to risks of non-compliance.</p>	<p>For a reasonable assurance engagement, the practitioner is required to identify and assess the risks of material non-compliance with the specified requirements and design and perform procedures to respond to assessed risks.</p> <p>(CSAE 3530.28R)</p> <p>For a limited assurance engagement, the practitioner does not assess risks of non-compliance. The practitioner is required to identify areas where material non-compliance with the specified requirements is likely to arise and design and perform procedures to address those areas.</p> <p>(CSAE 3530.28L)</p>	<p>For a reasonable assurance engagement, the practitioner is required to identify and assess the risks of significant non-compliance with the specified requirements and design and perform procedures to respond to assessed risks.</p> <p>(CSAE 3531.25R)</p> <p>For a limited assurance engagement, the practitioner does not assess risks of non-compliance. The practitioner is required to identify areas where significant non-compliance with the specified requirements is likely to arise and design and perform procedures to address those areas.</p> <p>(CSAE 3531.25L)</p>

Is the practitioner required to communicate any identified instance of the entity's non-compliance with laws and regulations (NOCLAR) that are not the subject matter of the engagement?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>Requirements and application material refer only to compliance with the specified requirements that are the subject matter of the engagement.</p>	<p>Relevant ethical requirements (or law or regulation) may</p> <ul style="list-style-type: none"> Require the practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate (e.g., not breach the practitioner's duty of confidentiality) <p>(CSRS 4400.17; A16-A19)</p>	<p>The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond the practitioner's responsibilities under CSAE 3000. These responsibilities may include responding to, communicating and documenting instances of non-compliance.</p> <p>(CSAE 3000.A102; A194-A199)</p>	<p>The practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond the practitioner's responsibilities under CSAE 3001. These responsibilities may include responding to, communicating and documenting instances of non-compliance.</p> <p>(CSAE 3001.A100; A192-A197)</p>

Matters to consider

During the course of a CSRS 4400 engagement, the practitioner may become aware of instances of non-compliance with other laws or regulations that are not the subject matter of the engagement (i.e., differ from or go beyond the practitioner's responsibilities for the engagement). For example, the practitioner may become aware of instances of money laundering when that is not the engagement subject matter. Ethical requirements, or laws or regulations, may require, for example, communication of such identified instances to appropriate persons within the entity, or to an outside party such as a regulator.¹⁵

¹⁵ CSRS 4400.A16-A20.

CSAE 3000 and CSAE 3001 contain requirements and guidance regarding NOCLAR.¹⁶

CSRS 4460 makes no specific reference to NOCLAR.

Matters to consider

Assessing and responding to risks of non-compliance are required for reasonable assurance engagements only. They are not required for limited assurance engagements or related services engagements under CSRS 4460 or CSRS 4400.

What written representations will the practitioner expect to obtain from management?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>The practitioner may choose to obtain representations from management regarding compliance but is not required to do so. CSRS 4460 does not provide any suggestions regarding matters that may be addressed in management representations. (CSRS 4460.A39)</p>	<p>The practitioner is required to consider whether to obtain written representations. (CSRS 4400.28)</p> <p>For example, the practitioner may want to do the following:</p> <ul style="list-style-type: none"> Obtain written responses to support verbal responses to inquiries made Include in the agreed-upon procedures a procedure to obtain written representations from the responsible party when that party is not the engaging party (CSRS 4400.A45) 	<p>The practitioner is required to request written representation from management</p> <ul style="list-style-type: none"> Stating that it has provided the practitioner with all information of which it is aware that is relevant to the engagement Acknowledging its responsibilities regarding preparing the statement on compliance with specified requirements, and for internal control relating to such compliance Confirming the measurement or evaluation of the specified requirements against the applicable criteria, including that all relevant matters are reflected in the statement on compliance 	<p>The practitioner is required to request written representation from management</p> <ul style="list-style-type: none"> Stating that it has provided the practitioner with all information of which it is aware that has been requested or that could significantly affect the findings or the conclusion of the assurance report Acknowledging its responsibility to comply with the specified requirements, and for internal control relating to such compliance Stating whether it has performed an evaluation of the entity’s compliance with specified requirements

¹⁶ CSAE 3000.A102 and CSAE 3001.A100.

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
		<ul style="list-style-type: none"> • Stating whether it has performed an evaluation of the entity’s compliance with specified requirements • When applicable, stating that it is responsible for making significant interpretations of specified requirements and that the interpretations are suitable • Stating whether the entity is in compliance with the specified requirements • Stating that management has disclosed any communications from legislative authorities or counterparties to agreements concerning possible non-compliance with the specified requirements • Stating that management has disclosed any known non-compliance with the specified requirements <p>(CSAE 3000.56(a) and (b); 3530.31)</p>	<ul style="list-style-type: none"> • When applicable, stating that it is responsible for making significant interpretations of specified requirements and that the interpretations are suitable • Stating that the criteria used in the engagement are suitable • Stating that management has disclosed any communications from legislative authorities or counterparties to agreements concerning possible non-compliance with the specified requirements • Stating that management has disclosed any known non-compliance with the specified requirements (CSAE 3001.61; CSAE 3531.33) <p>The practitioner is also required to request any written representations necessary to support other evidence relevant to compliance with specified requirements. (CSAE 3001.62)</p>

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
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The practitioner is also required to request any written representations necessary to support other evidence relevant to management's statement regarding compliance.

(CSAE 3000.57)

Matters to consider

The practitioner is not required to request written representations from management in a CSAE 4460 engagement and is required to only consider obtaining them in a CSRS 4400 engagement.

The representations to be requested from management in an assurance engagement cover a significant number of matters. The requirements regarding requesting such representations are the same for both reasonable assurance and limited assurance engagements. Differences between representations requested for an attestation engagement and those for a direct engagement relate to differing management responsibilities. In particular, for an attestation engagement, management prepares an explicit written statement on compliance with specified requirements, but this is not the case for a direct engagement.

Reporting

How will the practitioner's written report convey the results of the engagement?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>The written report</p> <ul style="list-style-type: none"> Describes how the practitioner's responsibilities regarding the supplementary matter have been met Does not express any conclusion <p>(CSRS 4460.1(b), 11, 17(d); 18 and 28(h); Appendix)</p>	<p>The written report</p> <ul style="list-style-type: none"> Describes the agreed-upon procedures performed and related findings Does not express any conclusion <p>(CSRS 4400.12; C30(I); Appendix 1)</p>	<p>The written report expresses a conclusion that conveys either reasonable assurance or limited assurance (depending on the terms of the engagement) about whether management's statement of the entity's compliance with specified requirements is free from material misstatement.</p> <p>(CSAE 3530.16; Appendix)</p>	<p>The written report expresses a conclusion that conveys either reasonable assurance or limited assurance (depending on the terms of the engagement) about whether the entity has complied with specified requirements in all significant respects.</p> <p>(CSAE 3531.17; Appendix)</p>

Extracts from illustrative reports in appendices to the standards

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>Users are cautioned that the procedures performed may not be suitable for their purposes.</p> <p>Accordingly, we do not express an audit opinion or a review conclusion on the supplementary matter.</p> <p>In response to the other reporting responsibility, (include description of how the other reporting responsibility has been met)</p>	<p>This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.</p> <p>Had we performed additional procedures, other matters might have come to our attention that would have been reported.</p> <p>(Include summary of procedures and findings)</p>	<p>Reasonable assurance attestation engagement</p> <p>In our opinion, management's statement that ABC Company complied with the specified requirements established in Funding Agreement X during the period January 1, 20X1 to December 31, 20X1, is fairly stated, in all material respects.</p> <p>We do not provide a legal opinion on ABC Company's compliance with the specified requirements.</p>	<p>Reasonable assurance direct engagement</p> <p>In our opinion, ABC Company complied with the specified requirements established in Funding Agreement X during the period January 1, 20X1 to December 31, 20X1, in all significant respects.</p> <p>We do not provide a legal opinion on ABC Company's compliance with the specified requirements.</p>

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
		<p>Limited assurance attestation engagement</p> <p><i>Conclusion</i></p> <p>Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that management's statement that ABC Company complied with the debt covenants set out in the Lending Agreement, including the interpretation in Note X as at December 31, 20X1, is not fairly stated, in all material respects.</p> <p>We do not provide a legal opinion on ABC Company's compliance with the debt covenants.</p>	<p>Limited assurance direct engagement</p> <p><i>Conclusion</i></p> <p>Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that ABC Company did not comply with the debt covenants set out in the Lending Agreement, including the interpretation in Note X as at December 31, 20X1, in all significant respects.</p> <p>We do not provide a legal opinion on ABC Company's compliance with the debt covenants.</p>

Matters to consider

As shown above, the way the results of the engagement are expressed highlights fundamental differences in the types of compliance engagements. Therefore, this may be a useful matter on which to focus in helping a potential client decide which type of engagement will most likely meet their needs.

How does the practitioner's report address possible inappropriate use of that report or of management's statement (when applicable)?

Engagements to Report on Supplementary Matters (CSRS 4460)	Agreed-upon Procedures Engagements (CSRS 4400)	Attestation Engagements to Report on Compliance (CSAE 3530 and CSAE 3000)	Direct Engagements to Report on Compliance (CSAE 3531 and CSAE 3001)
<p>The practitioner's report must (1) specify the name of the intended user and (2) state that the report is intended solely for the intended user and should not be used by other parties.</p> <p>(CSRS 4460.28(k))</p> <p>The report may also state that it should not be distributed to other parties.</p> <p>(CSRS 4460.A67)</p>	<p>The practitioner's report must (1) identify the purpose of the agreed-upon procedures report and (2) state that it may not be suitable for another purpose.</p> <p>(CSRS 4400.C30(d))</p> <p>The practitioner may also decide that the report should (1) indicate that the agreed-upon procedures report is intended solely for the engaging party and (2) state that its use or distribution is restricted (depending on what is allowed by any applicable law or regulation).</p> <p>(CSRS 4400.A53)</p>	<p>The practitioner's report must include a statement alerting readers to the fact that management's statement of compliance is designed for a specific purpose and that, as a result, the statement may not be suitable for another purpose.</p> <p>(CSAE 3530.35)</p> <p>The practitioner may indicate that the practitioner's report is intended solely for specific users and also may restrict its distribution or use (depending on what is allowed by any applicable law or regulation).</p> <p>(CSAE 3530.A47; CSAE 3000.A168)</p>	<p>There is no requirement for the report to alert readers that it is designed for a specific purpose and may not be appropriate for other purposes.</p> <p>The practitioner may indicate that the practitioner's report is intended solely for specific users and also may restrict its distribution or use.</p> <p>(CSAE 3531.A43)</p>

Matters to consider

In the CSAEs for direct engagements, there is no requirement for the practitioner's report to alert readers when the practitioner's report is designed for a specific purpose and may not be appropriate for other purposes. However, the practitioner may nevertheless decide to include such an alert in the practitioner's report. Also, consistent with the approach in other services, the practitioner may also decide to restrict the distribution or use of the practitioner's report.

This difference in approach reflects that direct assurance engagements are often undertaken by public sector practitioners (or in some cases, by private sector practitioners acting as an agent for a public sector practitioner). In the public sector environment, specific purpose engagements and related practitioner reports are often made available to the general public.¹⁷

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Consultation and Feedback

In the interest of continuous improvement and our commitment to the development of quality non-authoritative guidance, we would welcome any comments, questions and suggestions regarding this *Practitioner Alert* at the following address:

Andrea Lee, CPA, CA

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

¹⁷ Basis for Conclusions for CSAE 3001 in the CPA Canada Handbook.

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Appendix

Other Reference Sources

The following CPA Canada publications provide useful information on various types of engagements:

- [Finding the right service for assurance or related engagements](#)
- [A Framework for the Decision Maker – How to Assess the Need for Practitioner Involvement with Entity Information](#)
- [Audit and Assurance Alert – Canadian Standards on Assurance Engagements \(CSAE\). FAQ for auditors: What you need to know about attestation engagements and direct engagements](#)
- [Audit and Assurance Alert – Canadian Standards on Assurance Engagements \(CSAE\). “Special Reports – Compliance with Agreements” \(Section 5815/8600\): Now Called Compliance Reporting](#)
- [Briefing for Management and Third parties – Canadian Standards on Assurance Engagements \(CSAE\)](#)
- [Canadian Standard on Related Services \(CSRS\) 4400, Agreed-upon Procedures Engagement: FAQ](#)