

CPA Canada Handbook – Assurance

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CSAE 3416, Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting

This Canadian Standard on Assurance Engagements (CSAE) revises and replaces existing CSAE 3416, *Reporting on Controls at a Service Organization*. It incorporates changes to more closely align with the American Institute of Certified Public Accountants (AICPA) AT-C Section 320, *Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*. It will improve the standard's clarity and robustness, supporting better consistency in its application. Revised CSAE 3416:

- was renamed to specify that the reporting is only on controls that are relevant to user entities' internal control over financial reporting;
- introduces and defines the term "complementary subservice organization controls", which replaces the term "controls at a subservice organization" and requires management to identify such complementary subservice organization controls relative to each control objective;
- revises the definition of "complementary user entity controls" to indicate that such controls should include only those necessary to achieve specific control objectives stated in management's description of the service organization's system;
- removes the qualifier "in all material respects" from management's statement;
- includes additional requirements over information produced by the service organization and internal audit reports and regulatory examinations that relate to service provided to the user entities and the scope of the engagement;
- includes specific actions that must be taken when management refuses to provide written representations;
- requires an additional statement in the service auditor's opinion when the application of complementary subservice organization controls is necessary for the service organization to achieve the related control objectives stated in management's description of the service organization's system; and
- changes the type 2 service auditor report to eliminate the ability to specify which controls were tested in the service auditor's opinion, therefore, requiring an opinion on operating effectiveness of all the controls included in management's description of the service organization's system.

Revised [CSAE 3416](#) is effective for service auditors' reports for periods ending on or after September 15, 2020. Earlier application is permitted.

Archived Pronouncements

To give Handbook users continued access to the superseded CSAE until such time as it is no longer applicable, supplements in Archived Pronouncements set out the wording of the CSAE. The archived material will be withdrawn from the Handbook when it is no longer effective.

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