

BASIS FOR CONCLUSIONS CANADIAN STANDARD ON RELATED SERVICES (CSRS) 4400, Agreed-Upon Procedures Engagements

November 2023

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Standard on Related Services [\(CSRS\) 4400, Agreed-Upon Procedures Engagements](#).

Purpose of this Basis for Conclusions

This Basis for Conclusions provides the reasons for the revisions to [CSRS 4400](#) and the relevant due process considerations.

Background

In September 2023, the AASB approved limited revisions to [CSRS 4400](#) to correct the following:

- (a) in paragraphs [C13C\(k\)](#) and [CA14](#), the inadvertent narrowing of the relevant ethical requirements that can be applied by practitioners using the standard; and
- (b) in paragraph [C30C\(k\)](#), a missing Canadian amendment to remove the reference to the IESBA Code.

The Auditing and Assurance Standards Oversight Council confirmed that the AASB followed due process in developing the amended [CSRS 4400](#) prior to its issuance in the CPA Canada Handbook – Assurance.

Significant Matters

Correcting an Oversight in Paragraphs [C13C\(k\)](#) and [CA14](#)

1. International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*, is adopted in Canada as [CSRS 4400](#). ISRS 4400 (Revised) is intended to be applied by practitioners who may or may not be professional accountants. This intention is reflected in paragraph 13(h), which defines a practitioner as “the individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team...).” The definition deliberately avoids using the term “professional accountant”. This contrasts with standards that are intended to be applied by professional accountants. For example, International Standard for Review Engagement (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*, defines a practitioner as “a professional accountant in public practice.”
2. In addition to defining practitioner more broadly, ISRS 4400 (Revised) includes the term “ordinarily” in paragraphs 13(k) and A14 when referring to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”). For example, paragraph 13(k) explains that “relevant ethical requirements **ordinarily** comprise the IESBA Code, together with national requirements that are more restrictive” (emphasis added). The term “ordinarily” provides flexibility to allow practitioners who are not professional accountants, and thus not obligated to comply with the IESBA Code, to apply ISRS 4400 (Revised).
3. In Canada, the practice of public accounting is governed by legislation of the provinces and territories. When [CSRS 4400](#) was approved, and at the time of approving these corrections, it was the AASB’s understanding that agreed-upon procedures engagements, particularly those that deal with non-financial subject matters, are not considered to be public accounting in most provinces and territories. Accordingly, a practitioner performing an agreed-upon procedures engagement:
 - is not required to be a professional accountant; and
 - may comply with ethical requirements other than the “rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies” (“Canadian Codes”) if they are not a professional accountant.
4. When approving [CSRS 4400](#) in March 2020, Canadian amendments were made to paragraphs [C13C\(k\)](#) and [CA14](#) to replace the words “ordinarily comprise the IESBA Code together with national requirements that are more restrictive” in ISRS 4400 with “comprise the relevant independence and other ethical requirements set out in the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies.” The word “ordinarily” was not included in the Canadian amendments. Historically, Canadian amendments in the Canadian Auditing Standards remove the word “ordinarily” since auditors in Canada are required to comply with the Canadian Codes. However, removing the word “ordinarily” in CSRS 4400 inadvertently resulted in CSRS 4400 being more restrictive than intended as it would define relevant ethical requirements narrowly to refer to the Canadian Codes in all instances.

5. To ensure consistency with the intent of ISRS 4400 (Revised) as well as the intent in Canada for [CSRS 4400](#) to allow for the application of relevant ethical requirements beyond those required for professional accountants, the AASB added back the word “ordinarily” to paragraphs C13C(k) and CA14:

C13C(k). Relevant ethical requirements - Ethical requirements to which the engagement team and engagement quality reviewer are subject when undertaking agreed-upon procedures engagements, which ordinarily comprise relevant independence and other ethical requirements set out in rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies.

CA14. A practitioner performing an agreed-upon procedures engagement is required to comply with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the relevant ethical requirements set out in rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies. These requirements require practitioners to comply with fundamental principles including objectivity. Accordingly, relevant ethical requirements to which the practitioner is subject would, at a minimum, require the practitioner to be objective when performing an agreed-upon procedures engagement.

Correcting an Oversight in Paragraph C30C(k)

6. Paragraph [C30C\(k\)](#) of CSRS 4400 requires the agreed-upon procedures report to include "a statement that the practitioner complies with the ethical requirements of the IESBA Code." When the AASB approved CSRS 4400 in March 2020, the Canadian amendment to paragraph C30C(k) to replace the reference to the IESBA Code with Canadian Codes was missed. Without the Canadian amendment, paragraph C30C(k) would not accurately reflect the relevant ethical requirements in Canada.

7. To correct this error, the AASB made the following change, consistent with the existing Canadian amendments to paragraphs [C13C\(k\)](#), [CA14](#) and [CA15](#):

C30C(k). A statement that the practitioner complies with the relevant ethical requirements set out in rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.

8. This Canadian amendment meets the AASB's Canadian amendment criteria and is consistent with other Canadian amendments to references in the IESBA Code. As explained in Appendix 2 of the *Preface of the CPA Canada Handbook – Assurance*:

References in the ISQMs, ISAs, ISAEs and ISRSs to relevant ethical requirements that ordinarily comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, the "IESBA Code," together with national requirements that are more restrictive, are replaced by references to relevant independence and other ethical requirements set out in the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies.

The reason for such Canadian amendments is because professional accountants in Canada are “generally required to comply with the rules of professional conduct / code of ethics established by professional accounting bodies whose rules / code may differ from the IESBA Code.”

AASB's Exposure Considerations

9. In approving the limited amendments to [CSRS 4400](#), the AASB considered paragraph 63 of its Due Process Manual, which addresses the circumstances where the Board does not issue an exposure draft. The Board concluded that exposure is not necessary for the following reasons:
- The amendments relate to a correction of an error / oversight in an existing standard. 1
 - The amendments reflect the prevailing accepted practice for treatment of references to the IESBA Code in the AASB's standards and it is highly unlikely interested and affected parties would object to the change. 2
10. **Amendments to paragraphs [C13C\(k\)](#) and [CA14](#):** Removing the word “ordinarily” from the Canadian amendment was an oversight when [CSRS 4400](#) was approved in March 2020. Adding back the word “ordinarily” to paragraphs C13C(k) and CA14 would be consistent with the intent of ISRS 4400 (Revised) and CSRS 4400 so the standard can be applied by practitioners who are not professional accountants. Therefore, the AASB is of the view that it is highly unlikely that interested and affected parties would object to the correction.
11. **Amendment to paragraph [C30C\(k\)](#):** The missing Canadian amendment to paragraph C30C(k) was an oversight when [CSRS 4400](#) was approved in March 2020. Canadian amendments to the definition of relevant ethical requirements to replace references to “IESBA Code” with “relevant ethical requirements set out in rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies” have already been made to paragraphs [C13C\(k\)](#), [CA14](#) and [CA15](#). Without the Canadian amendment, paragraph C30C(k) would not accurately reflect the relevant ethical requirements in Canada. Therefore, the AASB does not believe exposing this amendment would result in any additional information or objection.

12. Finally, the AASB believes that given the current inaccuracy in the standard that may create confusion or incorrect reporting in practice, it is in the public interest to make a timely revision to the standard.
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Footnotes

1. Due Process Manual paragraph 63(b)
 2. Due Process Manual paragraph 63(d)
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