

CICA Handbook – Assurance

highlight summary no. 2

August 2010

(Note: New Handbook material or changes in existing material are identified in the Record of Changes.)

CSAE 3416, Reporting on Controls at a Service Organization

This new Canadian Standard on Assurance Engagements (CSAE) replaces AUDITOR'S REPORT ON CONTROLS AT A SERVICE ORGANIZATION, Section 5970.

CSAE 3416 addresses audit engagements undertaken by a service auditor to report on controls at organizations that provide services to user entities when those controls are likely to be relevant to user entities' internal control over financial reporting. It complements Canadian Auditing Standard (CAS) [402](#), *Audit Considerations Relating to an Entity Using a Service Organization*, in that reports prepared in accordance with this CSAE may provide appropriate evidence under CAS 402.

CSAE 3416 is based on the Statement on Standards for Attestation Engagements 16, *Reporting on Controls at a Service Organization*, which was issued in March 2010 by the American Institute of Certified Public Accountants' Auditing Standards Board, modified in limited circumstances, where considered necessary to meet unique Canadian circumstances.

CSAE 3416 covers the same subject matter as Section 5970, but there are some significant differences between the two. CSAE 3416:

- contains requirements and application material to address those matters necessary for a service auditor to conduct the engagement (i.e., CSAE 3416 is a self-standing standard);
- requires the service auditor to obtain a written assertion by management that is included in or attached to the description of the service organization's system;
- requires procedures to be performed dealing with matters related to assessing the suitability of criteria;
- deals with the concept of "intentional acts" requiring follow-up action when information about such acts is identified;
- requires wording in the service auditor's report to restrict distribution as well as use of the service auditor's report.

CSAE 3416 is effective for service auditors' reports for periods ending on or after December 15, 2011, with earlier implementation permitted.

Section 7050, Auditor Review of Interim Financial Statements

Paragraphs 7050.20(f), 7050.26(iii), and 7050.54 have been amended to clarify that when the auditor is required to include a reservation in his or her interim review report because of a departure from Canadian generally accepted accounting principles and the matter giving rise to the reservation is as a result of an exemption permitted by securities regulations, the auditor is not required to request that the written interim review report be included in documents containing interim financial statements.

AuG-46, Communications with Law Firms under New Accounting and Auditing Standards

This new Assurance and Related Services Guideline provides interim guidance to assist financial statement preparers (clients), auditors and law firms to communicate with respect to claims and possible claims in circumstances outside the scope currently contemplated by the "Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements" appended to Canadian Auditing Standard (CAS) 501, *Audit Evidence — Specific Considerations for Selected Items*. These circumstances are as follows:

- when the financial statements are prepared in accordance with International Financial Reporting Standards, including in particular International Accounting Standard (IAS) 37 *Provisions, Contingent Liabilities and Contingent Assets* in Part I of the CICA Handbook – Accounting; or
 - when the auditor is conducting the audit in accordance with the CASs and, therefore, must follow the requirements for dating the auditor's report in CAS 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph [41](#), that will affect the dating of the inquiry and response letters sent under the Joint Policy Statement.
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