

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

August 2020

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 has been prepared to make Canadian stakeholders aware of the following:

- (a) A Basis for Conclusions prepared by International Auditing and Assurance Standards Board (IAASB) staff for International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*, is available on the IAASB website. It provides information on how the IAASB dealt with comments received in response to its Exposure Draft, Proposed ISRS 4400 (Revised), "Agreed-Upon Procedures Engagements" (ED-ISRS 4400).
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its Exposure Draft, "Agreed-Upon Procedures Engagements" (ED-CSRS 4400). This information is set out below.

Background

In November 2018, the IAASB issued ED-ISRS 4400. At its December 2019 meeting, the IAASB approved the final ISRS 4400 (Revised), subject to the Public Interest Oversight Board's confirmation that the IAASB followed due process. The IAASB received this confirmation in March 2020.

In December 2018, the AASB issued ED-CSRS 4400, to which there were five responses (identified below). AASB staff also conducted consultation sessions with various stakeholders.

At its March 2020 meeting, the AASB approved [CSRS 4400](#). The Auditing and Assurance Standards Oversight Council (AASOC) confirmed that the Board followed due process in the development of this CSRS prior to its issuance in the CPA Canada Handbook – Assurance.

[CSRS 4400](#) replaces the following standards:

- REPORTS ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO FINANCIAL INFORMATION OTHER THAN FINANCIAL STATEMENTS, Section 9100; and
- AGREED-UPON PROCEDURES REGARDING INTERNAL CONTROL OVER FINANCIAL REPORTING, Section 9110.

Significant Matters

Independence Requirements in the Rules of Professional Conduct / Code of Ethics Applicable to the Practice of Public Accounting

1. As explained in ED-CSRS 4400, the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies (the CPA Code) require practitioners to be independent when performing a specified auditing procedures engagement as contemplated in the CPA Canada Handbook – Assurance. The CPA Code does not address whether a practitioner is required to be independent when performing an agreed-upon procedures engagement under [CSRS 4400](#). Respondents to ED-CSRS 4400 indicated that clarity and guidance on this matter are needed.
2. The AASB recognizes that clarity on this matter is an important public interest issue and that it is not within the Board's mandate to resolve because the Board is not responsible for the CPA Code. The Board has informed the provincial accounting bodies, the Public Trust Committee and AASOC about the potential impact of [CSRS 4400](#) on the CPA Code.
3. [CSRS 4400](#) does not include a precondition for the practitioner to be independent. CSRS 4400 can be applied irrespective of final decisions that others may make as to how the CPA Code applies to agreed-upon procedures engagements. Accordingly, the AASB concluded that no amendments to CSRS 4400 are required in respect of this matter.

AASB's Consideration of Amendments to ISRS 4400 (Revised) Wording

References to the International Ethics Standards Board for Accountants (IESBA)'s International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)

4. Paragraphs [C13\(k\)](#), [CA14](#) and [CA15](#) of CSRS 4400 contain amendments to references to the IESBA Code in ISRS 4400 (Revised). As proposed in ED-CSRS 4400, these references have been replaced 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. None of the respondents to ED-CSRS 4400 indicated an objection to these amendments.

References to International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

5. [CSRS 4400](#) contains amendments to references to ISQC 1 in ISRS 4400 (Revised). As highlighted in ED-CSRS 4400, ISQC 1 applies to related services engagements but Canadian Standard on Quality Control ([CSQC](#)) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, does not. Accordingly, Canadian amendments are made to paragraphs [C3](#), [C19](#), [C30\(m\)](#), [CA3-CA8](#), [CA24-CA26](#), [CA47](#), [CA49](#) and [Appendix C2](#) to address this fact.
6. The AASB has identified two ongoing developments that will likely impact the wording of the Canadian amendments in the future:
 - 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; and
 - Conforming amendments upon the finalization of CSQM 1.
7. To help highlight the fact that Canadian amendments to references to ISQC 1 may be updated upon the finalization of CSQM 1 and related conforming amendments, in addition to identifying the amended paragraphs under the normal drafting convention for Canadian amendments, the AASB has:
 - included a text box at the top of CSRS 4400 to explain that the scope of CSQC 1 is different from ISQC 1; and
 - shaded these Canadian amendments in grey.

AASB's Re-exposure Considerations

8. In approving [CSRS 4400](#), the AASB considered whether to re-expose new or revised Canadian amendments. ED-CSRS 4400 highlighted the fact that ISQC 1 applies to related services engagements but [CSQC 1](#) does not. Although specific wording of the amendments to address this difference was not included in ED-CSRS 4400, the form of the amendments is consistent with amendments the AASB has made to other standards relating to the applicability of CSQC 1. In addition, while such amendments are relevant in the context of a practitioner representing compliance with ISRS 4400 (Revised), they are not relevant to a practitioner's compliance with CSRS 4400. Given the nature of the amendments and the fact that no comments had been received from Canadian stakeholders on this point, the AASB concluded that re-exposure is not necessary as it would not likely result in new information that would change the AASB's decision on this matter.

List of Respondents to ED-CSRS 4400

- Bureau du vérificateur général de la Ville de Montréal
- Deloitte LLP
- Grant Thornton and Raymond Chabot Grant Thornton – joint response
- Various working groups of the Ordre des comptables professionnels agréés du Québec
- Provincial Auditor of Saskatchewan

Summary of Participants in Consultation Sessions

		Large firms	Small and medium-sized practices	Public sector	Provincial institutes / Ordre members
	Format	Number of participants			
1	Virtual	0	3	2	0
2	In-person	2	7	0	3
	TOTAL	2	10	2	3

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