

## Quality Management – Conforming Amendments to Other Canadian Standards

**June 2021**

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**COMMENTS TO AASB MUST BE RECEIVED BY  
September 30, 2021**

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We value your input and look forward to your feedback on this Exposure Draft. Comment on this document by taking part in the [Connect.FRASCanada.ca](https://connect.frascanada.ca) project or submitting a [comment letter](#) addressed to

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This Exposure Draft reflects proposals made by the Auditing and Assurance Standards Board (AASB) that it intends to include in the final standard, subject to deliberating comments received.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AASB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

## HIGHLIGHTS

The Auditing and Assurance Standards Board (AASB) proposes, subject to comments received following exposure, to make conforming amendments to Other Canadian Standards (OCSs) resulting from the approved Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, CSQM 2, *Engagement Quality Reviews*, Canadian Auditing Standard (CAS) 220, *Quality Management for an Audit of Financial Statements*, and related conforming amendments to CASs.

## KEY PUBLIC INTEREST CONSIDERATIONS

The AASB notes it is in the public interest that all standards subject to CSQM 1 appropriately reflect the CSQM 1 requirements at the engagement level. Without such engagement-level requirements, the benefits of adopting a new approach to managing and achieving quality on engagements may not be achieved. Further, it is in the public interest that all standards in the CPA Canada Handbook – Assurance and the CSQMs operate in concert and without confusion due to the importance of firm-level quality management to the consistent performance of quality engagements.

## MAIN FEATURES OF THE EXPOSURE DRAFT

### International Auditing and Assurance Standards Board's (IAASB) Exposure Draft

In February 2021, the IAASB issued the [Exposure Draft, “Conforming and Consequential Amendments to the IAASB’s Other Standards as a Result of the New and Revised Quality Management Standards.”](#) It proposes amendments to International standards other than International Standards on Auditing (ISAs) resulting from the approval of 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 2, *Engagement Quality Reviews*, and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

The IAASB’s International standards other than ISAs (“non-ISA standards”) include references to the extant quality control standard in various ways, ranging from simple references to the title of the standard to terminology drawn from 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*. Therefore, amendments are necessary to address inconsistencies between the IAASB’s non-ISA standards and the new and revised quality management standards. The purpose of making the amendments is to avoid conflicts with the quality management standards and to ensure that the IAASB’s non-ISA standards can be applied together with the quality management standards. The IAASB Exposure Draft does not involve reconsideration of the objectives, requirements and application material of the non-ISA standards.

Amendments comprise the following:

- revisions to non-ISA standards to reflect the structure of, and concepts in, ISQM 1, ISQM 2 and ISA 220 (Revised); and
- updates to non-ISA standards to align with references and other terminology in ISQM 1 and ISQM 2.

## Quality management standards in Canada

In January 2021, the AASB approved Canadian quality management standards with the same scopes and titles as the IAASB's standards, and related conforming amendments to CASs. As a result, the AASB needs to make conforming amendments to OCSs. This includes adding requirements and application material dealing with quality management to standards that were previously not subject to CSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, but are now within the scopes of CSQM 1 and CSQM 2.

This Exposure Draft proposes the same conforming amendments to OCSs adopted from or based on International standards as those in the IAASB Exposure Draft. The AASB believes that quality management should be addressed consistently in the OCSs. Therefore, this Exposure Draft also proposes conforming amendments for other OCSs that are consistent with the conforming amendments proposed for OCSs adopted from or based on International standards. The Board recognizes, however, that since the nature and content of the OCSs differ, it is not possible to deal with quality management in an identical manner across the OCSs.

The following paragraphs set out the OCSs and how the AASB proposes to deal with the conforming amendments.

## PROPOSED CHANGES

### Assurance standards

OCSs include Canadian Standards on Assurance Engagements (CSAEs) and Canadian Standards on Review Engagements (CSREs) developed by the AASB.

#### Adopted from or based on International standards

In some cases, a CSAE or CSRE is adopted from, or based on, an International standard issued by the IAASB. The following OCSs have been adopted from International standards:

- CSAE 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*; and
- CSAE 3410, *Assurance Engagements on Greenhouse Gas Statements*.

In addition, the AASB developed the following OCSs based on International standards:

- CSAE 3001, *Direct Engagements*; and
- CSRE 2400, *Engagements to Review Historical Financial Statements*.

The AASB's standard-setting strategy is based on adopting International quality management and auditing standards with minimal amendments. The Board has established criteria for making amendments to International standards adopted as Canadian standards (see [Appendix A](#)). When the Board makes amendments, they are clearly identified in the Canadian standard and explained in the *Preface* to the CPA Canada Handbook – Assurance (Handbook).

The AASB has not identified the need for Canadian amendments to the proposed conforming amendments to OCSs adopted from or based on International standards. Therefore, the Board proposes to make the same conforming amendments as those proposed in the IAASB's Exposure Draft.

Revisions will be made to reflect the terminology change from “quality control” to “quality management” and the titles of the new standards. However, as these revisions are editorial, they are not included in this Exposure Draft.

The following table sets out the paragraphs in these standards that would contain the proposed conforming amendments (other than revisions that are editorial).

Standard	Paragraphs
CSAE 3000	C12(e), C12(h), 21, 22, 23, 32, 33, 35, 36, C69, A61, A62, A63, A64, A65, A66, A69, A74, A86, A124, A125, A147, A156, A205, A207
CSAE 3001	14(f), 14(i), 23, 24, 25, 36, 37, 39, 40, 73(n), A60, A61, A62, A63, A64, A65, A68, A73, A85, A124, A125, A147, A156, A203, A205
CSAE 3410	C76(n), A129. In addition, paragraphs 71 and A130 would be removed.
CSRE 2400	22, 23, 26, A2, A4, A31, A32, A33, A35, A174. In addition, a new paragraph will be added to address dating the assurance report no earlier than when the engagement quality review is complete.

See [Appendix B](#) for the proposed conforming amendments to CSAE 3000. To reduce the overall length of, and repetition in, this Exposure Draft, paragraphs in CSAE 3001, CSAE 3410 and CSRE 2400 containing similar conforming amendments are not reproduced. Rather, the paragraphs for these standards are noted in the box following the CSAE 3000 paragraph.

### Not adopted from or based on International standards

Some CSAEs have not been adopted from International standards:

- CSAE 3416, *Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting*;
- CSAE 3530, *Attestation Engagements to Report on Compliance*; and
- CSAE 3531, *Direct Engagements to Report on Compliance*.

The conforming amendments necessary to these CSAEs differ based on the nature of the CSAE. These CSAEs require the practitioner to comply with CSAE 3000 or CSAE 3001, as appropriate. The CSAEs supplement, but do not replace, CSAE 3000 or CSAE 3001, and expand on how the practitioner applies CSAE 3000 or CSAE 3001. Certain topics, including quality control, are not addressed in these CSAEs, as the practitioner would follow the requirements in CSAE 3000 or CSAE 3001. For these standards, revisions will be made to reflect the terminology change from “quality control” to “quality management” and the titles of the new standards. As these revisions are editorial, they are not included in this Exposure Draft.

### Section 5925, An Audit of Internal Control over Financial Reporting that Is Integrated with an Audit of Financial Statements

Section 5925 is not based on an International standard. Further, it was developed before the issuance of CSAE 3000. Unlike CSAEs 3416, 3530 and 3531, Section 5925 does not refer to specific requirements in CSAE 3000 for certain topics. The Section has no requirements addressing quality control.

The AASB believes that a conforming amendment to Section 5925 to clearly establish that CSQM 1 applies to the Section is necessary. Proposed paragraph 5925.9A in [Appendix C](#) of this Exposure Draft establishes this relationship. This proposed paragraph is based on paragraph A61 of CSAE 3000.

CSQM 1 requires the firms to perform an engagement quality review, when such a review is an appropriate response to an assessed risk. When an engagement quality review is performed, it is required to be completed before the assurance report is dated. Proposed requirement 82(o) reflects this requirement. The same requirement can be found in proposed paragraph C69(n)(ii) of CSAE 3000 in [Appendix B](#) of this Exposure Draft.

The AASB also believes it is helpful to readers to include examples of what may be documented in an engagement performed in accordance with Section 5925 related to the firm's quality management policies and procedures. Paragraph A204 of CSAE 3000 provides such examples and is the basis for proposed paragraph 5925.A88.

See [Appendix C](#) for the proposed conforming amendments to Section 5925.

## Related services standards

Related services standards include Canadian Standards on Related Services (CSRSs) developed by the AASB. They do not include requirements or application material addressing quality control, as they were not subject to CSQC 1. Conforming amendments are necessary to make it clear that engagements performed under these standards are subject to CSQM 1 and to set out how quality management applies.

### Adopted from an International standard

CSRS 4400, *Agreed-Upon Procedures Engagements*, is adopted from the equivalent International standard. CSRS 4400 includes Canadian amendments to requirements and application material shaded in grey to highlight that requirements and application material related to quality control were not applicable under CSRS 4400 as the scope of CSQC 1 did not cover such engagements. With the adoption of ISQM 1 as CSQM 1, quality management will now apply to CSRS 4400 and the Canadian amendments reversed, and grey highlights removed.

The AASB has not identified the need for new Canadian amendments to CSRS 4400. Therefore, the Board proposes to make the same conforming amendments as those proposed to International Standard on Related Services (ISRS) 4400 in the IAASB's Exposure Draft. These are set out in [Appendix D](#).

### Standards for specialized areas and other related services

Related services standards include standards that address matters specific to the capital market in Canada and other standards. These standards include:

- Section 7060, *Auditor Review of Interim Financial Statements*;
- Section 7150, *Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document*;
- Section 7170, *Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document*;
- Section 7200, *Auditor Assistance to Underwriters and Others*;
- Section 7600, *Reports on the Application of Accounting Principles*;
- CSRS 4200, *Compilation Engagements*; and
- CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*.

So that standards for specialized areas and other related services deal with quality management consistently, the AASB proposes to add the revised paragraphs from CSRS 4400 (dealing with quality management) to the above standards.

[Appendix D](#) notes the paragraphs from CSRS 4400 that would be added to the above standards.

## Association standard

OCSs include Canadian Standard on Association (CSOA) 5000, *Use of the Practitioner’s Communication or Name*. It does not include requirements or application material addressing quality control, as it was not subject to CSQC 1. Conforming amendments are necessary to make it clear that work performed under CSOA 5000 is subject to CSQM 1 and to set out how quality management applies.

The AASB believes that the quality management requirements and application material paragraphs that it proposes to add to the related services standards would be appropriate for CSOA 5000. Therefore, the Board proposes to add the revised paragraphs from CSRS 4400 dealing with quality management to CSOA 5000.

[Appendix D](#) notes the paragraphs from CSRS 4400 that would be added to CSOA 5000.

## Assurance and related services guidelines<sup>1</sup>

Assurance and Related Services Guidelines (AuGs) have the same status and authority as application and other explanatory material in the CSQMs, CASs and OCSs. Guidelines do not impose requirements. Guidelines are issued to assist practitioners in the proper application of standards. Guidelines relate to engagements performed under auditing, review, other assurance or related services standards. Therefore, requirements related to applying quality management at the engagement level would be addressed in those standards, rather than in the Guidelines.

An exception is AuG-6, *Examination of a Financial Forecast or Projection Included in a Prospectus or Other Public Offering Document*, which is not related to a standard in the Handbook; rather, it was issued to address a unique Canadian circumstance.

AuG-6 is a reasonable assurance subject-matter-specific Guideline. It was developed before the issuance of CSQC 1 and CSAE 3000. Unlike subject-matter-specific standards (e.g., CSAEs 3416, 3530 and 3531), AuG-6 does not refer the user to CSAE 3000 for certain topics. Further, AuG-6 has no requirements addressing quality control.

The AASB believes that a conforming amendment to AuG-6 to clearly establish that CSQM 1 applies to the Guideline is necessary. Proposed paragraphs 12A and 12B of AuG-6 in [Appendix E](#) of this Exposure Draft establish this relationship. These paragraphs are based on paragraphs C3 and A61 of CSAE 3000, respectively.

The AASB also believes it is helpful to readers to include examples of what may be documented in an engagement performed in accordance with AuG-6 related to the firm’s quality management policies and procedures. Paragraph A204 of CSAE 3000 provides such examples, and is the basis for proposed paragraph 12C of AuG-6.

See [Appendix E](#) for proposed wording.

## Effective date

Systems of quality management in compliance with CSQM 1 for audits or reviews of financial statements or other assurance engagements are required to be designed and implemented by December 15, 2022. The evaluation of the system of quality management is required to be performed by December 15, 2023.

In approving CSQM 1, the AASB deferred the effective date for related services engagements. As a result, systems of quality management in compliance with CSQM 1 for related services engagements are required to be designed and implemented by December 15, 2023. The evaluation of the system of quality

<sup>1</sup> In April 2021, the AASB approved a project to develop a CSRS to replace AuG-16, *Compilation of a Financial Forecast or Projection*. The Board believes that it would be appropriate to address the application of quality management as part of that project. Therefore, this Exposure Draft does not include conforming amendments to AuG-16.

management is required to be performed by December 15, 2024.

In its Exposure Draft, the IAASB proposes that the conforming amendments have the same effective date as those in ISQM 2. The conforming amendments would take effect for reviews of financial statements for periods beginning on or after December 15, 2022, and other assurance and related services engagements beginning on or after December 15, 2022. The AASB proposes different effective dates based on the nature of the engagement to make transition easier for Canadian stakeholders. The Board believes that effective dates beginning on or after a certain date pose a number of transition challenges and may result in inconsistent interpretations and application. As a result, the Board considered each OCS to determine the most appropriate effective date of the proposed conforming amendments.

Conforming amendments to assurance standards will be effective for periods or engagements, as appropriate, beginning on or after December 15, 2022. The proposed effective dates of the conforming amendments to related services standards need to recognize that some related services standards, such as consent and reporting on supplementary matters, are performed in conjunction with an audit or a review engagement. For the related services standards that apply to such engagements, the AASB believes it is appropriate to align the effective date of the proposed conforming amendments with that of the related engagement, which is for periods beginning on or after December 15, 2022.

For other related services engagements that are not performed in conjunction with an assurance engagement, including compilation engagements and agreed-upon procedures engagements, the effective date for the proposed conforming amendments would be for periods or engagements beginning on or after December 15, 2023, respectively. This aligns the effective date with the effective date in CSQM 1, and provides practitioners who will be developing a system of quality management for the first time an appropriate amount of time to prepare.

Under CSOA 5000, the practitioner's consent may be provided in conjunction with an audit, review, other assurance or related service engagement. Therefore, the effective date of conforming amendments is determined based on the effective date of the related engagement.

Once approved, these proposed effective dates will be included in each OCS.

The effective dates of the proposed revised requirements will be as follows:

Standard	Effective Date
<i>Assurance standards</i>	
CSRE 2400, Section 5925	Periods beginning on or after December 15, 2022.
CSAEs 3000, 3001, 3410, 3416, 3530, 3531, AuG-6	Engagements beginning on or after December 15, 2022.
Section 7060	Reviews of interim financial statements for interim periods of fiscal years beginning on or after December 15, 2022.
<i>Related services standards for which the engagement is performed in conjunction with an audit or review engagement</i>	
Sections 7150, 7170	Auditor's consent to the use of the auditor's report on financial statements for periods beginning on or after December 15, 2022.
Section 7200	Engagements to provide assistance to underwriters beginning on or after December 15, 2022.
CSRS 4460	Engagements beginning on or after December 15, 2022.
<i>Related services standards for which engagements are not performed in conjunction with an assurance engagement</i>	
Section 7600	Engagements beginning on or after December 15, 2022.
CSRS 4200	Periods beginning on or after December 15, 2023.



Standard	Effective Date
CSRS 4400	Engagements beginning on or after December 15, 2023.
<i>Association standard</i>	
CSOA 5000	Practitioner's consent in connection with an audit, review or other assurance engagements provided on or after December 15, 2022, and practitioner's consent in connection with a related services engagement provided on or after December 15, 2023.

## COMMENTS REQUESTED

The AASB requests comments on any aspect of its proposed changes. Comments are most helpful when they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

The AASB seeks views on the following questions:

1. Do you agree with the proposed conforming amendments as set out in the Appendices?
2. Are there any other conforming amendments to OCSs that should be made?
3. Do you agree with the proposed effective dates of the conforming amendments?
4. Do you believe any of the proposals could create implementation challenges? If so, please explain why, and where additional implementation guidance may be needed.

The deadline for providing your comments to the AASB is September 30, 2021.

We value your input and look forward to your feedback on this Exposure Draft. Comment on this document by taking part in the [Connect.FRASCanada.ca](https://connect.frascanada.ca) project or submitting a [comment letter](#) addressed to:

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## APPENDIX A

### Amendment criteria used by the AASB when adopting ISQMs as CSQMs, ISAs as CASs, ISAEs as CSAEs and ISRSs as CSRSs

With respect to the adoption of International Standards on Auditing (ISAs)<sup>1</sup> as Canadian Auditing Standards (CASs), and the adoption of an International Standard on Assurance Engagements (ISAE) as a Canadian Standard on Assurance Engagement (CSAE) and an International Standard on Related Services (ISRS) as a Canadian Standard on Related Services (CSRS), on a case-by-case basis, the Auditing and Assurance Standards Board's (AASB) overriding goal is to adopt ISAs into the Assurance Handbook without amendment. However, there may be circumstances where amendments are required. The following sets out the limited circumstances when the AASB will make amendments to ISAs:

1. The AASB will limit additions to an ISA to those required to comply with Canadian legal and regulatory requirements.<sup>2</sup>
2. The AASB will limit deletions from, or other amendments to, an ISA to the following:
  - (a) The elimination of options (alternatives) provided for in the ISA.
  - (b) Requirements or guidance, the application of which Canadian law or regulation<sup>2</sup> does not permit, or which require amendment to be consistent with law or regulation.
  - (c) Requirements or guidance, where the ISA recognizes that different practices may apply in different jurisdictions and Canada is such a jurisdiction.
3. The AASB may make amendments to an ISA with respect to requirements or guidance that do not fall within 1 or 2 above when it believes that there are circumstances particular to the Canadian environment where such amendments are required to serve the Canadian public interest and maintain the quality of auditing and reporting in Canada.
4. To the extent possible, amendments that are:
  - (a) Additions to an ISA will not be inconsistent with the current requirements or guidance in the ISA; and
  - (b) Deletions from, or other amendments to, an ISA will be replaced by an appropriate alternative that achieves the objective of the deleted requirement.

Proposed amendments to an ISA will be highlighted in exposure drafts of proposed Canadian standards. The AASB will indicate the reasoning for the amendments and respondents will be invited to comment on them, including when the amendment will not result in convergence with the ISA in accordance with the International Auditing and Assurance Standards Board's guide for national standard setters. Amendments to ISAs will be separately identified in the final Assurance Handbook material.

<sup>1</sup> Reference to ISAs in this appendix also includes reference to International Standards on Quality Management (ISQMs) adopted as Canadian Standards on Quality Management (CSQMs), relevant International Standards on Assurance Engagements (ISAEs) adopted as Canadian Standards on Assurance Engagements (CSAEs) and relevant International Standards on Related Services (ISRSs) adopted as Canadian Standards on Related Services (CSRSs), where applicable.

<sup>2</sup> Canadian incorporating and other governing legislation often require entities to prepare financial statements in accordance with Canadian GAAP. Accordingly, if Canadian GAAP necessitates a different audit response in Canada, these differences fall within the definition of a legal or regulatory requirement.

## APPENDIX B

### Proposed conforming amendments to Other Canadian Standards adopted from, or based on, International Standards – CSAE 3000, CSAE 3001, CSAE 3410 and CSRE 2400

The following sets out the proposed conforming amendments to CSAE 3000. To reduce the overall length of, and repetition in, this Exposure Draft, paragraphs in CSAE 3001, CSAE 3410 and CSRE 2400 containing similar conforming amendments are not reproduced. Rather, the paragraphs for these standards are noted in the box following the CSAE 3000 paragraph.

...

- C12. For purposes of this CSAE and other CSAEs, unless indicated to the contrary, the following terms have the meanings attributed below: (Ref: Para. A27)

...

- (e) Engagement partner – The partner or other individual, appointed by~~person in~~ the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement partner” should be read as referring to its public sector equivalents where relevant.

Similar conforming amendments will be made to paragraph 14(f) of CSAE 3001.

...

- (h) Engagement team – All partners and staff performing the engagement, and any other individuals engaged by the firm or a network firm who perform procedures on the engagement. ~~This excludes~~ excluding a practitioner’s external expert engaged by the firm or a network firm.

Similar conforming amendments will be made to paragraph 14(i) of CSAE 3001.

...

21. The engagement partner shall be satisfied that ~~appropriate the firm’s policies or procedures regarding~~ for the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.

Similar conforming amendments will be made to paragraph 23 of CSAE 3001.

22. The practitioner shall accept or continue an attestation engagement only when:  
(Ref: Para. CA30-CA34)

- (a) The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;

- (b) The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including being given sufficient time to perform the engagement (see also paragraph 32); and
- (c) The basis upon which the engagement is to be performed has been agreed, through:
  - (i) Establishing that the preconditions for an attestation engagement are present (see also paragraphs 24-26); and
  - (ii) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities.

Similar conforming amendments will be made to paragraph 24 of CSAE 3001.

23. If the engagement partner obtains information that ~~would~~ may have caused the firm to decline the engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.

Similar conforming amendments will be made to paragraph 25 of CSAE 3001.

...

*Assignment of the Team Engagement Resources*

32. The engagement partner shall: (Ref: Para. A69)
- (a) Determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.
  - (~~b~~a) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including being given sufficient time to: (Ref: Para. A70-A71)
    - (i) Perform the engagement in accordance with relevant standards and applicable legal and regulatory requirements; and
    - (ii) Enable an assurance report that is appropriate in the circumstances to be issued.
  - (~~c~~b) Be satisfied that the practitioner will be able to be involved in the work of:
    - (i) A practitioner's expert where the work of that expert is to be used; and (Ref: Para. A70-A71)
    - (ii) Another practitioner, not part of the engagement team, where the assurance work of that practitioner is to be used, (Ref: Para. A72-A73)to an extent that is sufficient to accept responsibility for the assurance conclusion on the subject matter information.

Similar conforming amendments will be made to paragraph 36 of CSAE 3001 and paragraphs 22 and 23 of CSRE 2400.

*Responsibilities of the Engagement Partner*

33. The engagement partner shall take overall responsibility for ~~the overall~~ managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement. This includes responsibility for:
- (a) ~~Appropriate procedures being performed regarding~~ Being satisfied that the firm's policies or procedures for the acceptance and continuance of client relationships and assurance engagements have been followed;
  - (b) The engagement being planned and performed (including appropriate direction and supervision of engagement team members) ~~to comply in accordance~~ with professional standards and applicable legal and regulatory requirements;
  - (c) Reviews being performed in accordance with the firm's ~~review~~ policies ~~and/or~~ procedures, and reviewing the engagement documentation on or before the date of the assurance report; (Ref: Para. A74)
  - (d) Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner's objectives, and that the engagement was performed in accordance with relevant CSAEs and relevant legal and regulatory requirements; and
  - (e) Appropriate consultation being undertaken by the engagement team on difficult or contentious matters.

Similar conforming amendments will be made to paragraph 37 of CSAE 3001 and paragraph 23 of CSRE 2400.

...

35. The engagement partner shall consider the ~~results of~~ information from the firm's monitoring and remediation process as ~~evidenced in the latest information circulated~~ communicated by the firm and, if applicable, other network firms and whether ~~deficiencies noted in that~~ the information may affect the assurance engagement.

Similar conforming amendments will be made to paragraph 39 of CSAE 3001.

*Engagement Quality Control Review*

36. For those engagements, ~~if any~~, for which an engagement quality control review is required ~~by law or regulation or for which the firm has determined that an engagement quality control review is required~~ in accordance with CSQM 1:
- (a) ~~The engagement partner shall take responsibility for discussing significant matters and significant judgments arising during the engagement with the engagement quality control reviewer, and not date the assurance report until completion of that review.~~<sup>2A</sup> and
  - (b) ~~The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A75)~~
    - (i) ~~Discussion of significant matters with the engagement partner;~~
    - (ii) ~~Review of the subject matter information and the proposed assurance report;~~
    - (iii) ~~Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached; and~~

<sup>2A</sup> CSQM 2, *Engagement Quality Reviews*

- (iv) ~~Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.~~

Similar conforming amendments will be made to paragraph 40 of CSAE 3001.

...

C69. The assurance report shall include, at a minimum, the following basic elements:

...

- (n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which:
- (i) ~~The practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information; and (Ref: Para. A185)~~
  - (ii) When an engagement quality review is required in accordance with CSQM 1, the engagement quality review is complete.

Similar conforming amendments will be made to paragraph 73(n) of CSAE 3001 and paragraph C76(n) of CSAE 3410. A new paragraph with similar wording will be added to CSRE 2400.

...

*Firm-Level Quality Control Management (Ref: Para. C3(b), 31(a))*

- A61. ~~CSQM 1 deals with the firm's responsibilities to establish and maintain design, implement and operate a~~ system of quality control management for assurance engagements.<sup>3A</sup> ~~It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those pertaining related to independence. CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. CSQM 2<sup>3B</sup> deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. Compliance with CSQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel.~~ A system of quality management addresses the following eight components:<sup>3C</sup>
- (a) The firm's risk assessment process;
  - (ba) Governance and Leadership responsibilities for quality within the firm;
  - (cb) Relevant ethical requirements;
  - (de) Acceptance and continuance of client relationships and specific engagements;
  - (e) Engagement performance;
  - (fd) Human Resources;

<sup>3A</sup> CSQM 1, paragraph 1

<sup>3B</sup> CSQM 2, *Engagement Quality Reviews*

<sup>3C</sup> CSQM 1, paragraph 6

- (g) Information and communication; and
- (hf) The ~~M~~monitoring and remediation process.

Firms or requirements may use different terminology or frameworks to describe the system of quality management.

Similar conforming amendments will be made to paragraph A60 of CSAE 3001 and paragraph A2 of CSRE 2400.

- A62. Other professional requirements, or requirements in law or regulation that deal with the firm's responsibilities to establish and maintain a system of quality ~~control~~management, are at least as demanding as CSQM 1 when they address all the requirements of CSQM 1 ~~matters referred to in the preceding paragraph~~ and impose obligations on the firm that achieve the ~~aims of the requirements set out in~~objective of CSQM 1.

Similar conforming amendments will be made to paragraph A61 of CSAE 3001 and paragraph A4 of CSRE 2400.

- A63. The actions of the engagement partner, and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for ~~the overall~~managing and achieving quality on each engagement and being sufficiently and appropriately involved throughout the engagement, emphasize the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:
- (a) Performing work that complies with professional standards and regulatory and legal requirements.
  - (b) Complying with the firm's ~~quality control~~ policies ~~and/or~~ procedures as applicable.
  - (c) Issuing a report for the engagement that is appropriate in the circumstances.
  - (d) The engagement team's ability to raise concerns without fear of reprisals.

Similar conforming amendments will be made to paragraph A62 of CSAE 3001 and paragraph A31 of CSRE 2400.

- A64. An effective firm's system of quality ~~control~~management includes establishing a monitoring and remediation process designed to ~~provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively:~~
- (a) Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
  - (b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.

Similar conforming amendments will be made to paragraph A63 of CSAE 3001 and paragraph 26 of CSRE 2400.

- A65. ~~Unless information provided by the firm or other parties suggests otherwise~~ Ordinarily, the engagement team ~~is entitled to rely~~ may depend on the firm's system of quality ~~control~~ management unless:
- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
  - Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may ~~rely~~ depend on the firm's system of quality ~~control~~ management in relation to:

- (a) Competence and capabilities of personnel through their recruitment and formal training.
- (b) Independence through the accumulation and communication of relevant independence information.
- (c) Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance ~~systems~~ of client relationships and assurance engagements.
- (d) Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

In considering deficiencies identified in the firm's system of quality ~~control~~ management that may affect the assurance engagement, the engagement partner may consider the remedial actions ~~measures~~ undertaken by the firm to ~~rectify~~ address those deficiencies.

Similar conforming amendments will be made to paragraph A64 of CSAE 3001 and paragraph A32 of CSRE 2400.

- A66. A deficiency in the firm's system of quality ~~control~~ management does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

Similar conforming amendments will be made to paragraph A65 of CSAE 3001 and paragraph A33 of CSRE 2400.

...

*Assignment of the Team Engagement Resources*

Collective Competence and Capabilities (Ref: Para. 32)

- A69. CSQMG 1 requires the firm to establish ~~policies and procedures for~~ quality objectives that address the acceptance and continuance of client relationships and specific engagements; ~~designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.~~ The quality objectives deal with the appropriateness of judgments by the firm about whether to accept or continue relationships and engagements that are based on the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements.<sup>5</sup>

Similar conforming amendments will be made to paragraph A68 of CSAE 3001 and paragraph A35 of CSRE 2400.

<sup>5</sup> CSQMG 1, paragraphs 30(a)(ii) and A7226



...

A74. Under CSQMG 1, the ~~firm's review responsibility policies and procedures are determined~~firm is required to establish a quality objective that addresses the nature, timing and extent of the direction and supervision of engagement teams and review of their work. CSQM 1 also requires that such direction, supervision and review is planned and performed on the basis that the work ~~of performed by~~ less experienced team members is directed, supervised and reviewed by more experienced team members.<sup>6</sup>

Similar conforming amendments will be made to paragraph A73 of CSAE 3001.

...

A86. Planning involves the engagement partner, other key members of the engagement team, and any key practitioner's external experts developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner to properly assign work to engagement team members, and facilitates the direction; and supervision of engagement team members, and the review of their work. Further, it assists, where applicable, the coordination of work done by other practitioners and experts. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the underlying subject matter and criteria. Examples of the main matters that may be considered include:

- The characteristics of the engagement that define its scope, including the terms of the engagement and the characteristics of the underlying subject matter and the criteria.
- The expected timing and the nature of the communications required.
- The results of engagement acceptance activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant.
- The engagement process.
- The practitioner's understanding of the appropriate party(ies) and its environment, including the risks that the subject matter information may be materially misstated.
- Identification of intended users and their information needs, and consideration of materiality and the components of engagement risk.
- The extent to which the risk of fraud is relevant to the engagement.
- The nature, timing and extent of resources necessary to perform the engagement, such as personnel and expertise requirements, including the nature and extent of experts' involvement.
- The impact of the internal audit function on the engagement.

Similar conforming amendments will be made to paragraph A85 of CSAE 3001.

<sup>6</sup> CSQMG 1, paragraph ~~31(b)~~33

...

A124. A practitioner's internal expert may be a partner or staff, including temporary staff, of the practitioner's firm and, therefore, subject to the firm's system of quality management, including its control policies and/or procedures of that firm in accordance with ~~CSQC~~CSQM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ~~CSQC~~CSQM 1. Alternatively, a practitioner's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality ~~control~~management policies ~~and/or~~ procedures with the practitioner's firm. A practitioner's external expert is not a member of the engagement team ~~and is not subject to quality control policies and procedures in accordance with CSQC 1.~~

Similar conforming amendments will be made to paragraph A124 of CSAE 3001.

A125. ~~Engagement teams are entitled to rely~~Ordinarily, the engagement team may depend on the firm's system of quality ~~control~~management (see paragraph A65), unless information provided by the firm or other parties suggests otherwise. The extent of ~~that reliance~~dependence will vary with the circumstances, and may affect the nature, timing and extent of the practitioner's procedures with respect to such matters as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner's evaluation of the objectivity of the practitioner's expert. Practitioner's internal experts are subject to relevant ethical requirements, including those pertaining to independence.
- The practitioner's evaluation of the adequacy of the practitioner's expert's work. For example, the firm's training programs may provide the practitioner's internal experts with an appropriate understanding of the interrelationship of their expertise with the evidence gathering process. ~~Reliance~~Depending on such training and other firm processes, such as protocols for scoping the work of the practitioner's internal experts, may affect the nature, timing and extent of the practitioner's procedures to evaluate the adequacy of the practitioner's expert's work.
- Adherence to regulatory and legal requirements, through the monitoring and remediation processes.
- Agreement with the practitioner's expert.

Such reliance does not reduce the practitioner's responsibility to meet the requirements of this CSAE.

Similar conforming amendments will be made to paragraph A125 of CSAE 3001.

...

A147. Evidence is necessary to support the practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's ~~quality control policies or procedures for client acceptance and continuance of client relationships and assurance engagements~~. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the appropriate party(ies). Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the practitioner and, therefore, also constitutes evidence. Most of the practitioner's work in forming the assurance conclusion consists of obtaining and evaluating evidence.

Similar conforming amendments will be made to paragraph A147 of CSAE 3001.

...

A156. A scope limitation may arise from:

- (a) Circumstances beyond the control of the appropriate party(ies). For example, documentation the practitioner considers it necessary to inspect may have been accidentally destroyed;
- (b) Circumstances relating to the nature or timing of the practitioner's work. For example, a physical process the practitioner considers it necessary to observe may have occurred before the practitioner's engagement; or
- (c) Limitations imposed by the responsible party, the measurer or evaluator, or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of engagement risk and ~~engagement~~ the acceptance and continuance of the client relationship and the assurance engagement.

Similar conforming amendments will be made to paragraph A156 of CSAE 3001.

...

A205. ~~CSQM~~ 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ~~CSQM~~ 1) requires firms to establish ~~policies and procedures for the timely completion of the assembly of engagement files~~ a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report.<sup>11</sup> An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.<sup>12</sup>

Similar conforming amendments will be made to paragraph A203 of CSAE 3001, paragraph A129 of CSAE 3410 and paragraph A174 of CSRE 2400.

<sup>11</sup> ~~CSQM~~ 1, paragraph ~~31(f)~~<sup>45</sup>

<sup>12</sup> ~~CSQM~~ 1, paragraph ~~A83~~<sup>A54</sup>

...

- A207. CSQM~~G~~ 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as CSQM~~G~~ 1) requires firms to establish ~~policies and procedures for a~~ quality objective that addresses the maintenance and retention of engagement documentation to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.<sup>13</sup> The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report.<sup>14</sup>

Similar conforming amendments will be made to paragraph A205 of CSAE 3001.

<sup>13</sup> CSQM~~G~~ 1, paragraph ~~31(f)~~<sup>47</sup>

<sup>14</sup> CSQM~~G~~ 1, paragraph ~~A85~~<sup>A61</sup>

## APPENDIX C

### Conforming amendments to Section 5925

The following sets out the proposed conforming amendments to Section 5925.

9A. CSQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements. It sets out the responsibilities of the firm for establishing quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence. CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. CSQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. A system of quality management addresses the following eight components:

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or requirements may use different terminology or frameworks to describe the system of quality management.

...

#### **Reporting on Internal Control Over Financial Reporting**

82. The report on the audit of internal control over financial reporting shall include the following elements:

...

- (o) The date of the audit report. When an engagement quality review is required in accordance with CSQM 1, the assurance report shall be dated no earlier than the date on which the engagement quality review is complete.

...

#### **Documentation**

##### **Quality Management**

A88. Documentation may include a record of, for example:

- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved;
- (b) Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions;
- (c) Conclusions reached regarding the acceptance and continuance of the client relationship and engagement; and
- (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

## APPENDIX D

### Conforming amendments to related services and association standards

The following sets out the proposed conforming amendments to CSRS 4400. To reduce the overall length of, and repetition in, this Exposure Draft, paragraphs in the other related services standards (Sections 7060, 7150, 7170, 7200, 7600, CSRS 4200 and CSRS 4460) and CSOA 5000 that would contain similar conforming amendments are not reproduced. Rather, when an amendment to CSRS 4400 is also being proposed to other related services and association standards, this is noted in the box following the CSRS 4400 paragraph. CSRS 4400 deals with some topics that are not addressed in the other related services standards. Therefore, the AASB has not proposed to add all the paragraphs with conforming amendments from CSRS 4400 to the other related services standards.

...

- €3. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: Systems of quality management~~ Quality control systems, and policies and/or procedures are the responsibility of the firm. ISQC/CSQM 1 applies to firms of professional accountants in respect of a firm's agreed-upon procedures engagements.<sup>1A</sup> The provisions of this ISRS/CSRS regarding quality control/management at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQC/CSQM 1 or requirements that are at least as demanding. (Ref: Para. €A3-€A8)]

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

...

- €13. For purposes of this CSRS, the following terms have the meanings attributed below:

...

- (c) Engagement partner – The partner or other ~~person in~~ individual, appointed by the firm who is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

...

- (e) Engagement team – All partners and staff performing the agreed-upon procedures engagement, and any other individuals ~~engaged by the firm or a network firm~~ who perform procedures on the engagement. ~~This excludes~~ excluding a practitioner's external expert engaged by the firm or a network firm.

...

<sup>1A</sup> CSQM 1, paragraph 5

C(k) Relevant ethical requirements – Principles of professional ethics and eEthical requirements that are applicable to the engagement team ~~is subject to~~ when undertaking agreed-upon procedures engagements. These requirements 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. [In ISRS 4400 (Revised), this paragraph states: Relevant ethical requirements – Principles of professional ethics and eEthical requirements that are applicable to the engagement team ~~is subject to~~ when undertaking agreed-upon procedures engagements. ~~These~~Relevant ethical requirements ordinarily comprise the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with national requirements that are more restrictive.]

...

- G19. ~~[Not used. In ISRS 4400 (Revised), this paragraph states:~~ The engagement partner shall take responsibility for:
- (a) ~~The overall~~Managing and achieving quality of on the agreed-upon procedures engagement and being sufficiently and appropriately involved throughout the engagement including, if applicable, work performed by a practitioner's expert; and (Ref: Para. GA24)
  - (b) The engagement being performed in accordance with the firm's ~~quality control~~ policies ~~and/or~~ procedures by:
    - (i) ~~Following appropriate~~the firm's policies or procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. GA25)
    - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;
    - (iii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including being given sufficient time, to perform the agreed-upon procedures engagement;
    - (iv) Being alert for indications of ~~non-compliance~~breaches of relevant ethical requirements by members of the engagement team ~~with relevant ethical requirements~~, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have ~~not complied with~~breached relevant ethical requirements; (Ref: Para. GA26)
    - (v) Directing; ~~and~~ supervising engagement team members, reviewing their work and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and
    - (vi) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained.

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

...

21. Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the agreed-upon procedures engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon procedures engagement. (Ref: Para. A28-A31)

...

23. If the engagement partner obtains information that ~~would~~ may have caused the firm to decline the engagement had that information been ~~available earlier~~ known by the firm prior to accepting or continuing the engagement, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.

...

26. On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the firm's judgments about whether to accept or continue an agreed-upon procedures engagement ~~acceptance considerations~~, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)

...

€30. The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A51)

...

€(m) ~~[Not used. In ISRS 4400 (Revised), this paragraph states: A statement that the firm of which the practitioner is a member applies ISQC/SQM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC/SQM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQC/SQM 1;]~~

...

(q) The date of the agreed-upon procedures report; and (Ref: Para. A58A)

The above paragraph would be added to Section 7600 and CSRS 4200, with minor modifications to align the wording more closely with specific language in those standards.

...

GA3. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: ISQC/SQM 1 deals with the firm's responsibilities to establish and maintain its design, implement and operate a system of quality control management for related services engagements, including agreed-upon procedures engagements. <sup>1B</sup> CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. <sup>2C</sup> CSQM 2 <sup>2D</sup> deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. <sup>2E</sup> Those responsibilities are directed at establishing:~~

<sup>1B</sup> CSQM 1, paragraph 1

<sup>2C</sup> CSQM 1, paragraph 2(a)

<sup>2D</sup> CSQM 2, *Engagement Quality Reviews*

<sup>2E</sup> CSQM 1, paragraph 2(b)



- ~~The firm's quality control system; and~~
- ~~The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies.]~~

The above paragraph would be added to the related services and association standards.

- GA4. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: Under ISQC/CSQM 1, the objective of the firm is to design, implement and operate has an obligation to establish and maintain a system of quality control/management for related services engagements, including agreed-upon procedures engagements, that to provides the firm-it with reasonable assurance that:~~
- (a) ~~The firm and its personnel comply/fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and guidance; and~~
  - (b) ~~Engagement r~~Reports issued by the firm or engagement partners are appropriate in the circumstances.<sup>2]</sup>

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

- CA5. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: A jurisdiction that has not adopted ISQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ISRS/CSRS regarding quality control/management at the engagement level are premised on the basis that quality control/management requirements adopted are at least as demanding as those of ISQC/CSQM 1. This is achieved when those requirements address the requirements of CSQM 1 and impose obligations on the firm to achieve the aims-of-the requirements/objective of ISQC/CSQM 1. Compliance with CSQM 1 requires, among other things, that the firm's system of quality management addresses the following eight components:<sup>2A</sup>~~
- (a) ~~The firm's risk assessment process;~~
  - (b) ~~Governance and leadership;~~
  - (c) ~~Relevant ethical requirements;~~
  - (d) ~~Acceptance and continuance of client relationships and specific engagements;~~
  - (e) ~~Engagement performance;~~
  - (f) ~~Resources;~~
  - (g) ~~Information and communication; and~~
  - (h) ~~The monitoring and remediation process.~~
- ~~, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements:~~
- ~~Leadership responsibilities for quality within the firm;~~
  - ~~Relevant ethical requirements;~~
  - ~~Acceptance and continuance of client relationships and specific engagements;~~
  - ~~Human resources;~~
  - ~~Engagement performance; and~~

<sup>2</sup> ISQC/CSQM 1, paragraph 14.4

<sup>2A</sup> CSQM 1, paragraph 6

• ~~Monitoring.~~

~~[In ISRS 4400 (Revised), this paragraph states: A jurisdiction that has not adopted ISQM 1 in relation to agreed-upon procedures engagements may set out requirements for quality management in firms performing such engagements. The provisions of this ISRS ...]~~

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

GA6. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: Within the context of the firm's system of quality ~~control~~management, engagement teams have a responsibility to implement ~~quality control~~ policies or procedures applicable to the engagement.]~~

The above paragraph would be added to the related services and association standards.

GA7. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: Unless information provided by the firm or other parties suggests otherwise Ordinarily, the engagement team is entitled to ~~rely~~ may depend on the firm's system of quality ~~control~~management unless:~~

- ~~The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or~~
- ~~Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.~~

~~For example, the engagement team may ~~rely~~depend on the firm's system of quality ~~control~~management in relation to:~~

- ~~Competence and capabilities of personnel through their recruitment and formal training.~~
- ~~Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance systems of engagements.~~
- ~~Adherence to legal and regulatory requirements through the monitoring and remediation process.~~

~~In considering deficiencies identified in the firm's system of quality ~~control~~management that may affect the agreed-upon procedures engagement, the engagement partner may consider ~~measures~~the remedial actions undertaken by the firm to rectify ~~the situation~~those deficiencies that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.]~~

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

GA8. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: A deficiency in the firm's system of quality ~~control~~management does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.]~~

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

...

- GA24. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking overall responsibility for the overall managing and achieving quality on each engagement, emphasize the importance to achieving the quality of the engagement of:~~
- ~~(a) Performing work that complies with professional standards and regulatory and legal requirements;~~
  - ~~(b) Complying with the firm's quality control policies and/or procedures as applicable; and~~
  - ~~(c) Issuing the practitioner's report for the engagement in accordance with this ISRSCSRS.]~~

The above paragraph would be added to the related services and association standards.

- GA25. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: ISQC CSQM 1 requires the firm to establish a quality objective dealing with the appropriateness of its judgments about whether to accept or continue a client relationship or engagement based on obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client obtained about the nature and circumstances of the agreed-upon procedures engagement and. Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate may include information concerning the integrity and ethical values of the principal owners, key client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.]~~

The above paragraph would be added to the related services and association standards, with minor modifications to align the wording more closely with specific language in those standards.

- GA26. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: ISQC CSQM 1 sets out the responsibilities of the firm for establishing quality objectives that address the fulfillment of responsibilities in relation to policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. This ISRSCSRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.<sup>6A</sup>]~~

The above paragraph would be added to the related services and association standards.

<sup>6A</sup> CSQM, paragraph 29

...

A37. Paragraph 22(e) applies when the practitioner is required to comply with independence requirements for reasons such as those set out in paragraph 6A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply with independence requirements. For example, the practitioner may have initially determined that the practitioner is not required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering ~~engagement~~ acceptance and continuance of the agreed-upon procedures engagement or agreeing the terms of engagement, the practitioner’s knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:

- The purpose of the agreed-upon procedures engagement;
- The identity of the engaging party, other intended users and responsible party (if different from the engaging party);
- The nature, timing and extent of the procedures to be performed; or
- Other engagements that the practitioner is performing or has performed for the engaging party, other intended users or the responsible party (if different from the engaging party).

...

GA47. ~~[Not used. In ISRS 4400 (Revised), this paragraph states: A practitioner’s expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm’s system of quality control management. Ordinarily, the practitioner is entitled to rely~~ may depend on the firm’s system of quality ~~control~~ management, unless:

- The practitioner’s understanding or practical experience indicates that the firm’s policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

The extent of that ~~reliance~~ dependence will vary with the circumstances and may affect the nature, timing and extent of the practitioner’s procedures with respect to matters such as:

- Competence and capabilities, through recruitment and training programs.
- The practitioner’s evaluation of the objectivity of the practitioner’s expert.
- Agreement with the practitioner’s expert.

Such ~~reliance~~ dependence does not reduce the practitioner’s responsibility to meet the requirements of this ~~ISRS~~ CSRS.

...

A58A. When an engagement quality review is required in accordance with CSQM 1, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete.

The above paragraph would be added to the related services and association standards.

## Appendix G2

(Ref: Para. A51)

### Illustrations of Agreed-Upon Procedures Reports

...

#### Illustration 1

...

##### *Professional Ethics and Quality Management*

We have complied with the ethical requirements in [describe the relevant ethical requirements]. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

[Not used. In ISRS 4400 (Revised), this paragraph states: Our firm applies International Canadian Standard on Quality Control Management (ISQC/CSQM) 1, *Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control management including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.]

...

#### Illustration 2

...

##### *Professional Ethics and Quality Management*

We have complied with the ethical requirements in [describe the relevant ethical requirements] and the independence requirements in accordance with [describe the relevant independence requirements].<sup>2</sup>

[Not used. In ISRS 4400 (Revised), this paragraph states: Our firm applies International Canadian Standard on Quality Control Management (ISQC/CSQM) 1, *Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control management including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.]

<sup>2</sup> For example, if the IESBA Code is the relevant ethical requirements and Part 4A of the IESBA Code is the relevant independence requirements, this sentence may be worded along the following: "We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and the independence requirements in Part 4A of the IESBA Code."

## APPENDIX E

### Conforming amendments to AuG-6

The following sets out the proposed conforming amendments to AuG-6.

...

#### QUALITY MANAGEMENT

12A This Guideline is premised on the basis that:

- (a) The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and
- (b) The public accountant who is performing the engagement is a member of a firm that is subject to CSQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as CSQM 1.

12B CSQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements. It sets out the responsibilities of the firm for establishing quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence. CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. CSQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. A system of quality management addresses the following eight components:

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or requirements may use different terminology or frameworks to describe the system of quality management.

- 12C In compliance with CSQM 1, documentation of the examination of a financial forecast may include, where applicable:
- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved;
  - (b) Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions;
  - (c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements; and
  - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

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