

Non-authoritative Guidance

System and Organization Controls (SOC) Engagements

STANDARDS DISCUSSED:

CSAE 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*

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

This non-authoritative guidance is intended to provide a roadmap for practitioners who are engaged to conduct SOC attestation engagements under:

- Canadian standards; or
- both Canadian and U.S. standards and/or international standards.

Reporting under Applicable Canadian Attestation Standards

In July 2015, the Canadian Auditing and Assurance Standards Board (AASB) issued an overarching standard for certain attestation engagements, Canadian Standard on Assurance Engagements (CSAE) 3000¹ (based on International Standard on Assurance Engagements (ISAE) 3000²). CSAE 3000 replaced several standards, including Section 5025,³ and became effective for reports dated on or after June 30, 2017.

As SOC engagements are attestation engagements, CSAE 3000 is applicable. However, while CSAE 3000 applies to both reasonable and limited assurance engagements, SOC engagements do not permit the issuance of limited assurance reports. Therefore, only the requirements for a reasonable assurance engagement are relevant.

¹ CSAE 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*

² ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

³ STANDARDS FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OF FINANCIAL STATEMENTS AND OTHER HISTORICAL FINANCIAL INFORMATION, Section 5025

In the case of SOC 1 engagements (i.e., reports on controls at a service organization relevant to user entities' internal control over financial reporting), there is a specific subject-matter standard (CSAE 3416⁴) that is also applicable, in addition to the requirements of CSAE 3000.

Reporting under both Canadian and U.S. standards

The markets for SOC engagements can, in many cases, be integrated between Canada and the U.S. When this is the case, it may be necessary for the practitioner's report to be distributed to users in both markets. Practitioners required to report under both Canadian and U.S. standards for SOC engagements need to ensure that they have complied with the relevant requirements of both jurisdictional standards.

In April 2016, the American Institute of Certified Public Accountants (AICPA) issued two new overarching standards for attestation engagements: AT-C Section 105⁵ and AT-C Section 205.⁶ The AICPA considered ISAE 3000 when drafting these standards; however, differences do exist.

Under U.S. standards, in addition to any specific subject-matter standards that may be applicable, practitioners are required to ensure they have complied with the AICPA's AT-C Sections 105 and 205. Both standards are within the AICPA's overall Statement on Standards for Attestation Engagements No. 18.⁷ Therefore, SOC 1 engagements under AT-C Section 320⁸ are also required to comply with AT-C Sections 105 and 205. Similarly, SOC 1 engagements under CSAE 3416 are also required to comply with CSAE 3000.

The flowchart on [page 3](#) outlines the applicable standards and supporting non-authoritative guidance for the various types of SOC engagements.

Reporting under Canadian, U.S. and international standards

For those practitioners issuing SOC reports under Canadian, U.S. and international standards, [Appendix A](#) may be useful. It presents a table outlining the applicable standards and supporting non-authoritative guidance for each of the various multi-jurisdictional reporting circumstances.

⁴ CSAE 3416, *Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*

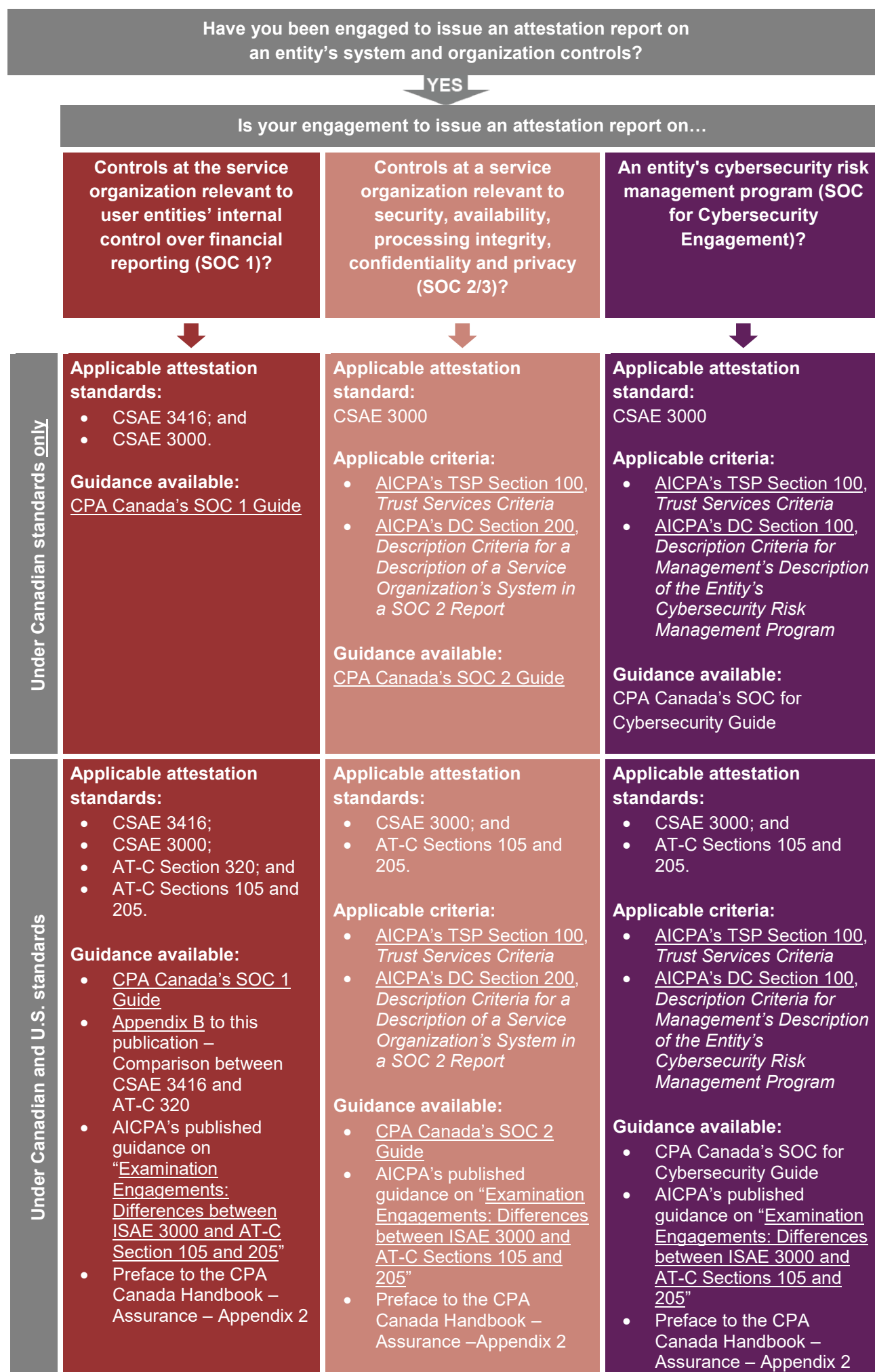
⁵ AT-C Section 105, *Concepts Common to All Attestation Engagements*

⁶ AT-C Section 205, *Examination Engagements*

⁷ SSAE No. 18, *Attestation Standards: Clarification and Recodification*, became effective for reports dated on or after May 1, 2017, replacing any previous attestation standards. In July 2018, the AICPA issued a proposal to revise SSAE No. 18. The proposed changes were not finalized at the time this guidance was developed. Once finalized, the impact of the revisions to SSAE No. 18 will be considered and this guidance may be updated accordingly.

⁸ AT-C Section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*

SOC Engagements – Attestation Standards and Guidance Flowchart



* Practitioners may wish to refer to the section [How to use available guidance](#) on page 4 for more information when reporting under both Canadian and U.S. standards.

How to Use Available Guidance

To issue a SOC report in compliance with both Canadian (CSAE 3000) and U.S. (AT-C Sections 105 and 205) standards, practitioners must understand and comply with all the relevant requirements within each of those standards. The following discussion explains how to bridge between performing an engagement under CSAE 3000 and AT-C Sections 105 and 205. It includes:

- a comparison between ISAE 3000 and AT-C Sections 105 and 205; and
- a comparison between CSAE 3000 and ISAE 3000.

When issuing a SOC 1 report under both Canadian and U.S. standards, in addition to complying with both CSAE 3000 and AT-C Sections 105 and 205, the practitioner is also required to comply with CSAE 3416 and AT-C Section 320. Aside from a few specific circumstances where CSAE 3416 requirements go beyond those of AT-C Section 320 (noted in [Appendix B](#)), the two standards are aligned.

Figure 1: How to bridge between performing an engagement under CSAE 3000 and AT-C Sections 105 and 205



A. Comparison between ISAE 3000 and AT-C Sections 105 and 205

The AICPA’s guidance, “[Examination Engagements: Differences between ISAE 3000 and AT-C Section 105 and 205](#),” highlights the differences between its overarching standards and the international equivalent, ISAE 3000. This guidance is available to assist practitioners required to report under both U.S. and international standards in understanding the differences between the overarching requirements of both standards.

While not a direct comparison between CSAE 3000 and AT-C Sections 105 and 205, given CSAE 3000 was adopted from ISAE 3000 with limited amendments, the AICPA guidance may be a first step for practitioners in reconciling the differences between the Canadian and U.S. overarching standards. When considering the relevance of the differences highlighted in this publication, it is important to understand the differences between CSAE 3000 and ISAE 3000.

B. Comparison between CSAE 3000 and ISAE 3000

In 2015, the AASB adopted ISAE 3000 as CSAE 3000, with certain amendments. Differences between CSAE 3000 and ISAE 3000 are set out in the Preface to the CPA Canada Handbook – Assurance – Appendix 2. They include:

- **References to the IESBA Code⁹**
 - **Amendment:** Where appropriate, references to the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* related to an audit of financial statements (the "IESBA Code") in ISAE 3000 have been replaced in CSAE 3000 by references to "relevant ethical requirements".
 - **SOC relevance:** Canada and the U.S. do not apply the IESBA Code. In performing SOC engagements under both Canada and U.S. jurisdictions, practitioners will need to ensure that they have complied with the relevant ethical requirements of both CSAE 3000 and AT-C Sections 105 and 205, which may differ from each other.
- **Separate Canadian standard for direct engagements¹⁰**
 - **Amendment:** ISAE 3000 may be applied to reasonable and limited assurance direct engagements. In Canada, a separate standard, CSAE 3001,¹¹ was issued to address direct engagements. Amendments to wording in ISAE 3000 were made to clearly reflect that CSAE 3000 applies only to attestation engagements.
 - **SOC relevance:** SOC engagements cannot be performed as direct engagements, therefore, any differences raised in the AICPA's guidance that refer to direct engagements are not relevant.
- **Effectiveness of controls relevant to the engagement¹²**
 - **Amendment:** Certain paragraphs in CSAE 3000 contain amended terminology regarding how the practitioner approaches the effectiveness of controls relevant to the engagement.
 - **SOC relevance:** As the amended requirement is considered a clarification, it does not affect the practitioner's ability to assert compliance with either CSAE 3000 or ISAE 3000.

In summary, only the amendment related to references to the IESBA Code is relevant to practitioners performing SOC engagements.

Reference to both the AICPA's publication and the Preface to the CPA Canada Handbook – Assurance – Appendix 2 should provide helpful guidance to practitioners in understanding and performing engagements under both jurisdictional standards.

⁹ CSAE 3000, paragraphs C3C(a), C20, C69C(j), CA30-CA34, CA60, CA68, CA173 and footnote C4

¹⁰ CSAE 3000, paragraphs C2, C5, C12C(a), CA8 and Appendix C2

¹¹ CSAE 3001, *Direct Engagements*

¹² CSAE 3000, paragraphs C48RC(b)(i), A21 and footnote C3

Concluding Comments

While this non-authoritative guidance is intended to assist those practitioners issuing attestation reports for SOC engagements under:

- Canadian standards; or
- both Canadian, U.S. and/or international standards,

it is the sole responsibility of the practitioner to use professional judgment when complying with relevant requirements in the applicable standards.

Appendix A

Applicable standards and relevant non-authoritative guidance for SOC engagements under multiple jurisdictions

In addition to using this publication, the following table summarizes the applicable standards and available non-authoritative guidance for the various reporting scenarios.

		Applicable Standards	Non-authoritative Guidance
Canadian Only	SOC 1	CSAE 3000 and CSAE 3416	CPA Canada SOC 1 Guide
	SOC 2/3	CSAE 3000	CPA Canada SOC 2 Guide
	SOC for Cyber		CPA Canada SOC for Cybersecurity Guide
Canadian and U.S.	SOC 1	<u>Canadian:</u> CSAE 3416 and CSAE 3000 <u>U.S.:</u> AT-C Sections 105, 205 and 320	CPA Canada SOC 1 Guide
	SOC 2/3	<u>Canadian:</u> CSAE 3000 <u>U.S.:</u> AT-C Sections 105 and 205	CPA Canada SOC 2 Guide
	SOC for Cyber		CPA Canada SOC for Cybersecurity Guide CPA Canada SOC 2 Guide
Canadian and International	SOC 1	<u>Canadian:</u> CSAE 3416 and CSAE 3000 <u>International:</u> ISAE 3000 and ISAE 3402	CPA Canada SOC 1 Guide
	SOC 2/3	<u>Canadian:</u> CSAE 3000 <u>International:</u> ISAE 3000	CPA Canada SOC 2 Guide
	SOC for Cyber		CPA Canada SOC for Cybersecurity Guide CPA Canada SOC 2 Guide
Canadian, U.S. and International	SOC 1	<u>Canadian:</u> CSAE 3000 and CSAE 3416 <u>U.S.:</u> AT-C Sections 105, 205 and 320 <u>International:</u> ISAE 3000 and ISAE 3402	CPA Canada SOC 1 Guide
	SOC 2/3	<u>Canadian:</u> CSAE 3000 <u>U.S.:</u> AT-C Sections 105 and 205 <u>International:</u> ISAE 3000	CPA Canada SOC 2 Guide
	SOC for Cyber		CPA Canada SOC for Cybersecurity Guide CPA Canada SOC 2 Guide

Appendix B

Comparison between CSAE 3416 and AT-C Section 320

The AASB wanted to limit circumstances where CSAE 3416 differed substantially from AT-C Section 320. However, there are some instances where the Board concluded that additional requirements, beyond those in standalone AT-C Section 320, were necessary to ensure the requirements were sufficient for service auditors performing, and user auditors relying on, these engagements.

These sections include:

- **Sampling:** AT-C Section 320 does not include any sampling requirements on the basis that the requirements in AT-C Sections 105 and 205 are sufficient. As CSAE 3000 does not have any specific requirements dealing with sampling, the extant requirements from CSAE 3416, which are derived from Canadian Auditing Standard (CAS) 530,¹³ continue to be included in paragraph 34 of CSAE 3416.
- **Identified or suspected instances of non-compliance with laws and regulations:** AT-C Section 320 requires the service auditor who becomes aware of any identified incidents of non-compliance with laws and regulations to determine the effect on the engagement.¹⁴ However, CAS 250¹⁵ requires that an auditor determine the effect of both identified and suspected instances of non-compliance. Given the primary users of CSAE 3416 reports are user auditors who are required to comply with the CASs, paragraph 37 of CSAE 3416 requires the service auditor to consider the effect of both identified and suspected instances of non-compliance. A similar addition was made to paragraph 41(b)(i) of CSAE 3416 dealing with written representations from management.
- **Using the work of internal audit function:** AT-C Section 320 removed all requirements dealing with the use of internal audit, on the basis that the requirements in AT-C Sections 105 and 205 are sufficient. While CSAE 3000 includes several requirements dealing with internal audit that were previously included in extant CSAE 3416, some, in particular those around the use of direct assistance, are not addressed in CSAE 3000. Accordingly, paragraphs 39-40 of CSAE 3416 retain extant requirements dealing with the use of internal audit.
- **Written representations:** Paragraph 41 of CSAE 3416 retains certain representations from the extant standard that are no longer included in AT-C Section 320 and are not addressed by CSAE 3000.
- **Extant terminology differences:** CSAE 3416 continues to include certain terminology differences, consistent with those in extant CSAE 3416, when compared to AT-C Section 320. For example, references to “examination/examine” were removed and the term “management’s assertion” was replaced with “management’s statement”.

¹³ CAS 530, *Audit Sampling*

¹⁴ AT-C Section 320, paragraph 34

¹⁵ CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*