

In Brief

A plain and simple overview of the AASB's project to revise CSAE 3416, Reporting on Controls at a Service Organization

Changes to service organization controls reports are coming, have you considered how it will impact you?

What's changing?	In November 2016, the Auditing and Assurance Standards Board (AASB) approved a project to revise Canadian Standard on Assurance Engagements (CSAE) 3416, <i>Reporting on Controls at a Service Organization</i> . These engagements are commonly referred to as SOC 1 engagements.
Why the change now?	The AASB is considering revisions to the standard in response to the American Institute of Certified Professional Accountants' (AICPA) issuance of a revised standard to replace their equivalent standard. Stakeholders have indicated support for aligning the Canadian and U.S. standards.
How can I find out more?	The AASB is in the final stages of preparing an exposure draft for public comment of the proposed revisions to CSAE 3416. Affected stakeholders are encouraged to read and respond to the exposure draft once released.
Timing	The exposure draft is expected to be released in Q1 2019. It will be accompanied by another in-brief communication highlighting key areas.

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Why the change now?

“Our stakeholders continue to emphasize the importance of a Canadian standard that is aligned, where possible, to its’ U.S. equivalent. This desire has been a grounding principle for the AASB’s work on this project.”

- Ken Charbonneau,
AASB Chair

At the time that CSAE 3416 was issued in 2010, stakeholders indicated that the marketplace for engagements to report on the controls at a service organization was highly integrated between Canada and the U.S. The AASB decided to align the Canadian standard with the equivalent AICPA standard (AT Section 801¹).

In April 2016, the AICPA issued AT-C Section 320² to replace AT Section 801. The new standard was effective for service auditors’ reports dated on or after May 1, 2017.

Because of this standard’s issuance, in November 2016, the AASB approved a project to consider revisions to CSAE 3416 and issued a guidance bulletin, “[Reporting on Controls at a Service Organization — Bridging the Gap Between Canadian and Revised U.S. Standards](#),” highlighting the significant changes.

¹ AT Section 801, Reporting on Controls at a Service Organization

² AT-C 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting

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Who will these changes impact?

Are you:

- Management or an individual with oversight over a service organization?
- Management or an individual with oversight over a company who engages a service provider?
- A practitioner who prepares CSAE 3416 reports?
- An auditor who uses CSAE 3416 reports as audit evidence?

If you responded yes to any of the above, these changes will impact you!

While a service organization may engage a practitioner to issue a report on controls at their organization, the reports that are generated through these engagements are distributed and used by a broad stakeholder group.

Typically, companies that use a service provider will request a CSAE 3416 report to ensure that proper reliance can be placed on the controls outside of their organization. Their auditor also uses these reports as audit evidence for the purpose of their audit opinion.

The changes proposed will impact all of these stakeholders, making it important that each of them understands how the proposed changes may impact them.

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What's next?

Get your voice heard! Stay tuned for the AASB's release of the CSAE 3416 exposure draft and provide your feedback.

The AASB is planning to release proposed changes to CSAE 3416 in an exposure draft in early Q1 2019. All of the key changes and revisions will be outlined, and stakeholders will be provided with an opportunity to respond. Your input is critical to ensuring the revised standard meets the needs of our stakeholders.

Stay up to date

To learn more about this project and stay current with updates, subscribe to [The Standard](#) and visit our [project page](#).

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