

Message from the Chair

Reporting on Compliance with Agreements, Statutes and Regulations

July 2017

I am writing to update you on discussions we have had about the application of existing standards dealing with reporting on compliance with agreements, statutes and regulations.

We understand that practitioners may have been performing some compliance reporting engagements, such as those required by National Instrument 81-102, in accordance with Section 5025, *Standards for Assurance Engagements Other than Audits of Financial Statements and Other Historical Financial Information*. National Instrument 81-102 requires certain mutual funds to prepare a compliance report, which must be audited. Some practitioners have performed this engagement in accordance with Section 5025 because the scope and wording of the practitioner's report in Section 5815, *Special Reports – Auditor's Reports on Compliance with Agreements, Statutes and Regulations*, is reflective of a direct engagement.

Section 5025 was withdrawn from the CPA Canada Handbook – Assurance on June 30, 2017, causing practitioners to question which standard is applicable for engagements of this nature going forward.

Practitioners have also asked whether Canadian Standard on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*, and CSAE 3001, *Direct Engagements*, have any impact on engagements performed in accordance with Section 5800, *Special Reports – Introduction*, Section 5815 or Section 8600, *Reviews of Compliance with Agreements and Regulations* (collectively, the existing Sections). CSAEs 3000 and 3001 are effective for reports dated on or after June 30, 2017.

Changes to Sections 5815 and 8600

In light of the possible confusion about the application of the existing Sections, we have decided to revise the scope of Sections 5815 and 8600 to make it clear that they apply to all compliance reporting engagements. Our change will also allow the practitioner to adapt the wording of the practitioner's report as necessary when undertaking an attestation compliance reporting engagement. For example, the revised scope would make it clear that Section 5815 may be used when reporting in accordance with National Instrument 81-102. We expect that these revisions will be reflected in the Handbook in October 2017.

Compliance reporting engagements and CSAE 3000 or 3001

The existing Sections do not require the practitioner to comply with both the existing Sections and CSAE 3000 or 3001 when performing compliance reporting engagements. Rather practitioners should continue to use the existing Sections.

Compliance reporting standards being replaced

In April 2017, we issued a Re-Exposure Draft addressing reporting on compliance with agreements, statutes and regulations – proposed CSAE 3530, *Special Considerations – Attestation Engagements to Report on Compliance*, and proposed CSAE 3531, *Special Considerations – Direct Engagements to Report on Compliance*. Proposed CSAEs 3530 and 3531 deal with special considerations in applying CSAEs 3000 and 3001 to compliance reporting engagements. These standards would replace the existing Sections. We proposed an effective date for the new standards of April 1, 2019. At that time, practitioners will begin performing compliance reporting engagements in accordance with either CSAEs 3000 and 3530 or CSAEs 3001 and 3531, as appropriate to the engagement circumstances.

Darrell Jensen, FCPA, FCA
Chair, Auditing and Assurance Standards Board