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Contact:

Member Regulation Policy

Email: memberpolicymailbox@ciro.ca

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Rule Connection: MFD Rules / IDPC Rules

Division: Mutual Fund Dealer / Investment Dealer

Housekeeping amendments related to the auditor's report and agreed-upon procedures report

Executive Summary

The Canadian Investment Regulatory Organization (**CIRO**) is amending rules related to the agreed-upon procedures report within the Mutual Fund Dealer (**MFD**) Rules and the Investment Dealer and Partially Consolidated (**IDPC**) Rules and amending the auditor's reports and agreed-upon procedures reports in the associated MFD Form 1 and IDPC Form 1 (the **Housekeeping Amendments**).

Audit firms are required to comply with new quality management standards and auditing standards that require the inclusion of a statement in the agreed-upon procedures report to indicate the quality management standards have been applied. The language related to accounting policies in the auditor's report must also comply with new auditing standards. The objectives of the Housekeeping Amendments are to ensure the auditor's reports and agreed-upon procedures reports in MFD Form 1 and IDPC Form 1 comply with the new auditing standards and to update the relevant CIRO Rules with the current name of the agreed-upon procedures report.

The Housekeeping Amendments are effective immediately.

1. Background

In 2021, the Auditing and Assurance Standards Board approved the 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 1 requires all audit firms to design and implement a system of quality management for audits or reviews of financial statements or other assurance or related services engagements. This standard now extends to related service engagements, which were not subject to the previous standard.

The Auditing and Assurance Standards Board required audit firms to have their system of quality management in place for related service engagements (such as the agreed-upon procedures report) by December 15, 2023. In addition to the CSQM 1 requirements, paragraph 30(m) of the Canadian Standard on Related Services (**CSRS**) 4400 – *Agreed-upon Procedures Engagements* requires the auditors to include a statement in the Agreed-upon procedures report that the audit firm applies CSQM 1.

CIRO previously published housekeeping amendments to the IDPC Form 1 and MFD Form 1 to comply with the CSRS 4400 standards. At the time, CSQM 1 was not in effect so the amendments did not include compliance with paragraph 30(m) of CSRS 4400.

Also, narrow-scope amendments to International Accounting Standard (IAS) 1 which impacts the Canadian Auditing Standards (**CASs**) became effective for annual reporting periods beginning on or after January 1, 2023. The narrow-scope amendments to IAS 1 require entities to disclose their ‘material accounting policy information’ instead of ‘significant accounting policies’. As a result, the standard auditor’s reports within the CASs have been updated.

2. Housekeeping Amendments

The Housekeeping Amendments include:

- amending language related to accounting policies in the auditor’s reports in the MFD Form 1 and IDPC Form 1 to comply with the standard auditor’s reports under CASs,
- adding a paragraph in the preamble of the agreed-upon procedures reports in MFD Form 1 and IDPC Form 1 to comply with paragraph 30(m) of CSRS 4400,
- moving the requirement for auditors to perform the insurance procedures to the same section of the MFD Rules as segregation of cash and securities procedures,
- renaming the report to the ‘Agreed-upon Procedures Report on Compliance for Insurance and Segregation of Cash and Securities’ in MFD Rule 3.6.3(b)(ix) to align with MFD Form 1, and
- renaming the report to the ‘Agreed-upon Procedures Report on compliance for insurance, segregation of securities, and guarantee/guarantor relationships relied upon to reduce margin requirements during the year,’ in IDPC Rule section 4190 to align with IDPC Form 1.

The clean copy of the Housekeeping Amendments to MFD Rules and IDPC Rules are set out in [Appendix A](#) and a blackline of the changes is set out in [Appendix B](#). The clean copy of the Housekeeping Amendments to the auditor’s reports and agreed-upon procedures reports in MFD Form 1 and IDPC Form 1 are set out in [Appendix C](#) and a blackline of the changes is set out in [Appendix D](#).

3. Classification of the Housekeeping Amendments

We have classified the Housekeeping Amendments as housekeeping because they are necessary to conform to applicable securities legislation, statutory or legal requirements, accounting or auditing standards, or to other CIRO Rules. Specifically, the Housekeeping Amendments are required to conform to Canadian Auditing Standards including CSRS 4400 and to conform CIRO's rules with the current name of the Form 1 agreed-upon procedure report.

4. Approval and Implementation

On January 24, 2024, CIRO's Board of Directors approved the Housekeeping Amendments.

The Housekeeping Amendments are effective immediately.

5. Appendices

[Appendix A](#) - Clean copy of the Housekeeping Amendments

[Appendix B](#) - Blackline comparison of the Housekeeping Amendments to current rules

[Appendix C](#) - Clean copy of MFD Form 1 and IDPC Form 1 auditor's reports and agreed-upon procedure reports

[Appendix D](#) - Blackline comparison of Housekeeping Amendments to MFD Form 1 and IDPC Form 1 auditor's reports and agreed-upon procedure reports