



Third Party Requests for Management Letters and Other Communications

Communications to Those Charged With Governance

The assurance standards require differing degrees of communication with management and those charged with governance (i.e. the Board of Directors). Under Canadian Auditing Standard (CAS) 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, auditors are required to communicate to those charged with governance significant deficiencies in internal control identified during the audit. This communication is commonly referred to as the management letter.

Under the new CSRE 2400 *Engagements to Review Historical Financial Statements*, there is a requirement to communicate significant matters when determined necessary. We would advise that this communication not be referred to as a management letter due to the likelihood of recipients misinterpreting the level of assurance associated. However, in both instances, the intended purpose of the communication is not for use external to the organization, however we know it is not uncommon for third parties to request a copy of these communications.

Copy of Communication Provided to Third Parties

A few considerations when you are aware of such third-party requests:

- The likelihood of clients or other third parties misusing or placing undue reliance on the communication is reduced when there is a notice outlining the limited nature and scope of the communication. Be sure to include such as notice not only on the management letter template but also other communication letter templates. Ensure that you note that you do not accept responsibility for reliance placed by third parties on these communication letters. You may also wish to emphasize that you were not engaged to audit or review the internal controls within the client organization.
- Do not provide the management letter or other communication directly, unless you have been engaged to do so. If you have been engaged to provide the management letter or other communication, ensure the service is included in your engagement letter and consider the applicability of Canadian Standard on Related Services 4460 *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*.

(Please note that we would not advise that you engage to provide the management letter to a third party).

The Clear-Cut: Assurance

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No Significant Deficiencies

Written communications stating that no significant deficiencies were identified during the audit or review should not be issued. The issuance of such a statement is highly subject to misinterpretation of the limited degree of assurance such a communication is providing. In other words, it is an easy jump for a reader to infer that the statement “no significant deficiencies in internal control were identified...” mistakenly means that “there are no significant deficiencies in internal control.”

If you subsequently discover that a copy of the management letter or other communication was provided to a third party without your permission (and there was no notice included on the document) consider the guidance provided in Canadian Standard on Association 5000 *Use of the Practitioner’s Communication or Name*.

There is no approved wording for the advised notification. Below are four examples, which may be tailored for your firm’s specific use.

Illustrative Examples of Sample Notification Wording

1. This communication is prepared solely for the information of management and is not intended for any other purpose. I accept no responsibility to a third party who uses this communication.
2. This communication has been provided to comply with the requirements outlined in CAS 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance*. The information in this document is intended solely for the use of the Board of Directors and Management. It is not intended to be distributed or used by anyone other than these specified parties.
3. The following communication was prepared as part of our audit [review], and has consequential limitations, and is intended solely for the information and use of those charged with governance (i.e. the Board of Directors) and, if appropriate, management of the entity. This communication is not intended for and should not be used by anyone other than these specified parties.
4. The matters raised in this report are only those, which came to our attention during the course of our audit [review] and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report has been prepared solely for your use as directors and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.