



New and Proposed Changes to the Assurance Handbook and Assurance- related Regulatory Developments in Canada

For the two years ended December 31, 2021



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New and Amended Assurance Standards	Date Issued	Effective Date
CSQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (New)	May 2021	Systems of quality management are required to be designed and implemented by December 15, 2022 for assurance engagements, and by December 15, 2023 for related services engagements. Evaluations of these systems are required to be performed within one year following these dates.
CSQM 2 Engagement Quality Reviews (New)	May 2021	Effective for assurance engagements for periods beginning on or after December 15, 2022 and for related services engagements beginning on or after December 15, 2023.
CAS 220 Quality Management for an Audit of Financial Statements (Amendment)	May 2021	Effective for audits of financial statements for periods beginning on or after December 15, 2022.
CAS 315 Identifying and Assessing the Risks of Material Misstatement (Amendment)	May 2020	Effective for audits of financial statements for periods beginning on or after December 15, 2021. Earlier application is permitted.
CAS 700 Forming an Opinion and Reporting on Financial Statements and CAS 701 Communicating Key Audit Matters in the Independent Auditor's Report (Amendment)	December 2019	Effective for audits of financial statements of other listed entities, excluding entities required to comply with National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i> , for periods ending on or after December 15, 2022.
CSAE 3416 Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Amendment)	September 2019	Effective for service auditors' reports for periods ending on or after September 15, 2020. Earlier application is permitted.

New and Amended Assurance Standards	Date Issued	Effective Date
CSRS 4400 Agreed-Upon Procedures Engagements	August 2020	Effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.
AuG-50 Conducting a Performance Audit in the Public Sector in Accordance with CSAE 3001	August 2020	Effective immediately.
Conforming Amendments to Canadian Standards Resulting from IAASB Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code	July 2020	Effective immediately.

Assurance Exposure Drafts	Date Issued	Effective Date
Quality Management – Conforming Amendments to Other Canadian Standards	June 2021	The AASB proposes different effective dates based on the nature of the engagement to make transition easier.
Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	May 2020	Proposed to become effective 18 months after approval date. Anticipated to be effective for periods beginning on or after December 15, 2023 based on the approved effective date for ISA 600. Earlier application will be permitted.

New and Amended Assurance-related Regulatory Developments	Date Issued	Effective Date
No current new and amended Canadian assurance-related regulatory developments		

Requests for Comment on Assurance-related Regulatory Developments	Date Issued	Effective Date
Proposed Amendments to National Instrument 52-108 Auditor Oversight	October 2019	No date yet specified.

New and Amended Assurance Standards

CSQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (New)

In May 2021, the Auditing and Assurance Standards Board (AASB) issued 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* which revises and replaces existing Canadian Standard on Quality Control (CSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*. The new CSQM aims to strengthen the standards addressing quality control and broadens the requirement for the firm's system of quality management beyond audits, reviews and other assurance services to also include related services engagements that were formerly excluded: compilation engagements, agreed-upon procedures engagements, and engagements to report on supplementary matters arising from an audit or a review engagement.

CSQM 1 requires the firm to apply a risk-based approach in the design, implementation, and operation of the system of quality management while taking into account the nature and circumstances of both the firm and the engagements the firm performs. It also sets out requirements relating to:

- The system of quality management;
- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication;
- Specified responses;
- The monitoring and remediation process;
- Network requirements or network services;
- Evaluating the system of quality management; and
- Documentation.

As a result of issuing CSQM 1, amendments have been made to CAS 620 *Using the Work of an Auditor's Expert* and other editorial changes have been made to other standards.

CSQM 1 is effective as follows:

- Firms are required to design and implement their system of quality management for audits or

reviews of financial statements or other assurance engagements by December 15, 2022. They are required to evaluate their system within one year following this date.

- Firms are required to design and implement their system of quality management for related services engagements by December 15, 2023. They are required to evaluate their system within one year following this date.

CSQM 2 Engagement Quality Reviews (New)

In May 2021, the Auditing and Assurance Standards Board (AASB) issued a new standard Canadian Standard on Quality Management (CSQM) 2 *Engagement Quality Reviews* which replaces material previously addressed in Canadian Standard on Quality Control (CSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*.

The new standard provides guidance on the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performance and documenting an engagement quality review.

As a result of issuing CSQM 2, editorial changes have been made to other standards.

CSQM 2 is effective for:

- Audits and reviews of financial statements and other assurance engagements for periods beginning on or after December 15, 2022; and
- Related services engagements beginning on or after December 15, 2023.

CAS 220 Quality Management for an Audit of Financial Statements (Amendment)

In May 2021, the Auditing and Assurance Standards Board (AASB) issued the revised CAS 220 *Quality Control for an Audit of Financial Statements* to align with the requirements of ISA 220 *Quality Management for an Audit of Financial Statements*. The amendments deal with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, including a particular focus on the roles and responsibilities of the engagement partner. CAS 220 is meant to be scalable for firms of different sizes and for engagements where the nature and circumstances differ.

CAS 220 sets out requirements relating to:

- Leadership responsibilities for managing and achieving quality on audits;
- Relevant ethical requirements, including those related to independence;
- Acceptance and continuance of client relationships and audit engagements;
- Engagement resources;
- Engagement performance;
- Monitoring and remediation;
- Taking overall responsibility for managing and achieving quality; and

- Documentation.

As a result of issuing the amendments to CAS 220, amendments have been made to CAS 300 *Planning an Audit of Financial Statements* and CAS 610 *Using the Work of Internal Auditors*. Editorial changes have been made to other standards.

CAS 220 is effective for audits of financial statements for periods beginning on or after December 15, 2022.

CAS 315 Identifying and Assessing the Risks of Material Misstatement (Amendment)

In May 2020, the Auditing and Assurance Standards Board (AASB) issued the revised CAS 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*, to align with the International Auditing and Assurance Standards Board's (IAASB) changes to International Standards on Auditing (ISA) 315 (revised), with the same title.

The revised CAS 315 incorporates changes to establish more robust requirements and detailed guidance to assist auditors in performing appropriate risk assessment procedures corresponding with the size and nature of the entity. It also includes changes to enhance the application of professional skepticism in audits. The revised CAS 315 accomplishes the following:

- Distinguishes the nature and extent of work needed for indirect and direct controls in the system of internal control;
- Clarifies which controls need to be identified for evaluating the design of a control, and determining whether the control has been implemented;
- Highlights scalability of the standard by keeping the principles-based requirements focused on what needs to be done, and using separate headings in the application material to illustrate scaling based on the complexity of the situation;
- Clarifies the definition of "significant risk" and introduces the concept of spectrum of inherent risk to assist the auditor in making a judgment, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement;
- Introduces the concept of inherent risk factors, including complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk;
- Introduces the concepts of "significant classes of transactions, account balances and disclosures" and "relevant assertions" to assist with the identification and assessment of the risk of material misstatement;
- Separates the assessment of inherent and control risk;
- Enhances the auditor's considerations regarding the entity's use of information technology and how it affects the audit, and includes considerations for using automated tools and techniques in the application material;

- Introduces a requirement to "stand back" to evaluate the completeness of the significant classes of transactions, account balances and disclosures at the end of the risk assessment process;
- Uses more explicit language and enhances requirements and application material to reinforce the importance of exercising professional skepticism when performing risk assessment procedures; and
- Clarifies the threshold for identifying possible risks of material misstatement in CAS 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards*.

As a result of issuing the revised CAS 315, requirements for several other standards have been amended to better articulate the auditor's responsibilities regarding identifying and assessing the risks of material misstatement:

- CAS 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
- CAS 330 *The Auditor's Responses to Assessed Risks*
- CAS 402 *Audit Considerations Relating to an Entity Using a Service Organization*
- CAS 540 *Auditing Accounting Estimates and Related Disclosures*

The revised CAS 315 and other conforming amendments to other standards are effective for audits of financial statements for periods beginning on or after December 15, 2021. Earlier application is permitted.

CAS 700 Forming an Opinion and Reporting on Financial Statements and CAS 701 Communicating Key Audit Matters in the Independent Auditor's Report (Amendment)

In December 2019, the Auditing and Assurance Standards Board (AASB) issued amendments to CAS 700 and CAS 701. The amendments expand the requirement for auditors to communicate key audit matters (KAMs) for audits of complete sets of general purpose financial statements, to include other listed entities, excluding listed entities required to comply with National Instrument (NI) 81-106 *Investment Fund Continuous Disclosure*.

In a previous amendment issued by the AASB in December 2018, the requirement to communicate KAMs was limited to entities listed on the Toronto Stock Exchange (TSX), excluding entities required to comply with NI 81-106, and was effective for audits of financial statements for periods ending on or after December 15, 2020.

The amendments issued in December 2019 require auditors to communicate KAMs for audits of complete sets of general purpose financial statements of:

- Entities listed on the TSX, excluding listed entities required to comply with NI 81-106, for periods ending on or after December 15, 2020.
- Other listed entities, excluding listed entities required to comply with NI 81-106, for periods ending on or after December 15, 2022.

- All entities for periods ending on or after December 15, 2018 when:
 - The auditor decides to communicate KAMs in the auditor's report; or
 - The auditor is required by law or regulation to communicate KAMs in the auditor's report.

CSAE 3416 Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Amendment)

In September 2019, the Auditing and Assurance Standards Board (AASB) issued a revised Canadian Standard on Assurance Engagements (CSAE) 3416 *Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting*. This new CSAE replaces existing CSAE 3416 *Reporting on Controls at a Service Organization*. The revised CSAE 3416:

- Clarifies that the reporting is only relevant to user entities' internal control over financial reporting.
- Introduces and defines the term "complementary subservice organization controls" and requires:
 - Management to identify the complementary subservice organization controls relative to each control objective.
 - An additional statement to be added in the service auditor's opinion when the application of such controls is necessary for the service organization to achieve the related control objectives stated in management's description of the service organization's system.
- Revises the definition of "complementary user entity controls" to indicate that such controls should include only those necessary to achieve specific control objectives stated in management's description of the service organization system.
- Removes the qualifier "in all material respects" from management's statement.
- Includes additional requirements over information produced by the service organization and internal audit reports and regulatory examinations that relate to service provided to the user entities and the scope of the engagement.
- Includes specific actions to take when management refuses to provide written representations.
- Changes the type 2 service auditor report to require a service auditor to form an opinion on the operating effectiveness of all the controls included in management's description of the service organization's system instead of specifying which controls were tested in the service auditor's opinion.

The revised CSAE 3416 is effective for service auditor's report for periods ending on or after September 15, 2020. Earlier application is permitted.

CSRS 4400 Agreed-upon Procedures Engagements (New)

In August 2020, the Auditing and Assurance Standards Board (AASB) issued the new Canadian Standard on Related Services (CSRS) 4400 *Agreed-upon Procedures Engagements*, to align with proposed changes

to International Standard on Related Services (ISRS) 4400 (revised), with the same title. CSRS 4400 replaces s.9100 *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements* and s.9110 *Agreed-Upon Procedures Regarding Internal Control over Financial Reporting*.

CSRS 4400 sets out requirements relating to the practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement on financial or non-financial subject matters, including:

- Engagement acceptance and continuance
- Agreeing the terms of the engagement
- Performing the agreed-upon procedures
- Using the work of a practitioner's expert
- The form and content of the agreed-upon procedures report
- Undertaking an agreed-upon procedures engagement together with another engagement
- Documentation considerations

Editorial changes have been made to other standards as a consequence of issuing CSRS 4400. CSRS 4400 is effective for agreed-upon procedures engagements for which the terms of engagement are agreed to on or after January 1, 2022.

AuG-50 Conducting a Performance Audit in the Public Sector in Accordance with CSAE 3001 (New)

In August 2020, the Auditing and Assurance Standards Board (AASB) issued Assurance and Related Services Guideline AuG-50 *Conducting a Performance Audit in the Public Sector in Accordance with CSAE 3001*. The new AuG-50 provides guidance on planning, conducting and reporting on a performance audit in the public sector in accordance with CSAE 3001 *Direct Engagements*. With the issuance of AuG-50, the following sections have been withdrawn: PS 5000 *Introduction to Assurance Recommendations that Apply only to the Public Sector*, PS 5400 *Value-For-Money Auditing in the Public Sector*, PS 6410 *Planning Value-For-Money Audits in the Public Sector*, and PS 6420 *Knowledge of the Audit Entity in Planning Value-For-Money Audits in the Public Sector*.

The key features of AuG-50 include:

- Providing guidance for practitioners conducting performance audits in the public sector in accordance with CSAE 3001.
- Recognizing the distinct engagement circumstances that requires legislative auditors to perform alternative procedures to comply with the engagement acceptance requirements in CSAE 3001.
- Providing guidance related to obtaining an understanding of internal control relevant to performance audits.
- Highlighting how the requirements in CSAE 3001 apply in assessing the work of experts involved in performance audits.
- Examples of subsequent events and possible procedures to identify them.

As a result of issuing AuG-50, amendments were made to CSRS 4460 *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*. AuG-50 is effective immediately.

Conforming Amendments to Canadian Standards Resulting from IAASB Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code (Amendment)

In July 2020, the Auditing and Assurance Standards Board (AASB) issued conforming amendments to Canadian Standards resulting from International Auditing and Assurance Standards Board's (IAASB) Conforming Amendments to the IAASB International Standards as a Result of the Revised International Code of Ethics for Professional Accountants (IESBA Code).

These conforming amendments result in revisions to various Canadian standards to conform and align with the amendments to International standards that have been made as a result of the updates to the IESBA Code requirements relating to breaches of ethical requirements and threats to compliance. The IESBA Code is not applicable in Canada and instead, provincial Codes of Professional Conduct are set by the professional accounting bodies. Accordingly, references to the IESBA Code in International standards adopted in Canada are modified and replaced in equivalent Canadian standards in accordance with criteria established by the AASB.

The requirements in the following standards related to the engagement partner's responsibilities in relation to relevant ethical requirements have been revised to reflect changes in the provincial Codes of Professional Conduct to reference 'breaches' of relevant ethical requirements instead of 'non-compliance' with relevant ethical requirements:

- CAS 220 *Quality Control for an Audit of Financial Statements*
- CSAE 3000 *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*
- CSRE 2400 *Engagements to Review Historical Financial Statements*

Editorial changes have been made to other standards as a result of the conforming amendments to Canadian standards resulting from the IAASB conforming amendments. The amendments are effective immediately.

Assurance Exposure Drafts

Quality Management – Conforming Amendments to Other Canadian Standards

In June 2021, the Auditing and Assurance Standards Board (AASB) issued an Exposure Draft (ED) that proposes conforming amendments to appropriately reflect the requirements of the recently approved suite of Canadian quality management standards at the engagement level in all Other Canadian Standards in order to achieve the benefits of adopting a new approach to managing and achieving quality on engagements. The proposed conforming amendments to Other Canadian Standards will include adding requirements and application material dealing with quality management to standards that were previously not subject to the Canadian Standard of Quality Control (CSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, but are now within the scope of:

- 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*; and
- CSQM 2 *Engagement Quality Reviews*.

These conforming amendments for Other Canadian Standards are proposed to be made to the standards in following areas:

- Canadian Standards on Review Engagements (CSREs);
- Canadian Standards on Assurance Engagements (CSAEs);
- Canadian Standards on Related Services (CSRSs) and standards for specialized areas and other related services,
- Canadian Standard on Association (CSOA) 5000; and
- Assurance and Related Services Guidelines (AuGs).

Different effective dates are proposed based on the nature of the engagement to make transition easier:

- Conforming amendments to assurance standards will be effective for periods or engagements, as appropriate, beginning on or after December 15, 2022.
- The proposed effective dates of the conforming amendments to related services standards that are performed in conjunction with an audit or a review engagement are for periods beginning on or after December 15, 2022.
- For other related services engagements that are not performed in conjunction with an assurance engagement, including compilation engagements and agreed-upon procedures engagements, the effective date for the proposed conforming amendments would be for periods or engagements beginning on or after December 15, 2023, respectively.
- Under CSOA 5000, the practitioner's consent may be provided in conjunction with an audit,

review, other assurance or related service engagement. Therefore, the effective date of conforming amendments will be determined based on the effective date of the related engagement.

Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

In May 2020, the Auditing and Assurance Standards Board (AASB) issued an Exposure Draft (ED) that proposes to adopt as CASs, with appropriate Canadian amendments, the proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and any conforming and consequential amendments.

The ED proposes several key changes, which include:

- Clarifying the linkages between ISA 600 (Revised) and other ISAs.
- Placing requirements and application material related to the involvement of component auditors in separate subsections to clarify the interactions between the group engagement team and the component auditors, and to provide scalability when component auditors are not involved.
- Clarifying the scope and applicability of ISA 600 (Revised).
- Enhancing the acceptance and continuance considerations, including considerations relating to restrictions on access to people or information.
- Introducing a risk-based approach to planning and performing a group audit engagement.
- Adding guidance on common controls and centralized activities relevant to financial reporting.
- Clarifying the concept of materiality in a group audit engagement, including guidance on considerations relating to aggregation risks and component materiality.
- Enhancing documentation requirements.
- Emphasizing professional skepticism in a group audit engagement, including examples where the auditor exercises professional skepticism.

The AASB proposes to replace references to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (IESBA Code) in ISA 600 (Revised) with relevant ethical requirements applicable in Canada.

The International Auditing and Assurance Standards Board (IAASB) approved ISA 600 (Revised) as a final standard in December 2021. ISA 600 (Revised) will be effective for periods beginning on or after December 15, 2023. Early application will be permitted and encouraged. The revised CASs are expected to have the same effective date and will also be permitted to be early adopted. The AASB expects to approve CAS 600 in early 2022.

New and Amended Assurance-related Regulatory Developments

No current new and amended Canadian assurance-related regulatory developments

Requests for Comment on Assurance-related Regulatory Developments

Proposed Amendments to National Instrument 52-108 Auditor Oversight

In October 2019, the Canadian Securities Administrators (CSA) published for comment proposed amendments to National Instrument 52-108 *Auditor Oversight*. The proposed amendments aim to improve the Canadian Public Accountability Board's (CPAB) ability to perform audit inspections of the work of component auditors in foreign jurisdictions by requiring that some firms and reporting issuers facilitate access to component auditor's working papers. These proposed amendments are a direct consequence of CPAB encountering a significant obstacle in accessing audit work completed by component auditors in some foreign jurisdictions.

The proposed amendments:

- Introduce the definition of a significant component auditor (SCA).
- Require reporting issuers to facilitate CPAB review by taking all reasonable steps to direct a SCA to provide CPAB with access to inspect the audit work performed.
- Restrict firms from using a SCA that does not grant CPAB access.

The proposed amendments would apply to all reporting issuers with operations in foreign jurisdictions, where a significant part of the audit is performed by a component auditor.

An effective date for the proposed amendments has not yet been determined.

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