

A woman with long brown hair and blue eyes is shown in profile, talking on a mobile phone. She is wearing a white button-down shirt. The background is a blurred cityscape with a large, light-colored circular object, possibly a lamp or a piece of art, in the upper left.

**New and Proposed Changes to Assurance  
Sections for the Two Years Ended**

September 30, 2020

NEW AND AMENDED STANDARDS	DATE ISSUED	EFFECTIVE DATE
<a href="#">CAS 250 Consideration of Laws and Regulations in an Audit of Financial Statements (New)</a>	March 2017	Effective for audits of financial statements for periods ending on or after December 15, 2018.
<a href="#">CAS 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment and CAS 330 The Auditor's Responses to Assessed Risks (Amendment)</a>	June 2017	Effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted.
<a href="#">CAS 315 Identifying and Assessing the Risks of Material Misstatement (Amendment)</a>	May 2020	Effective for audits of financial statements for periods beginning on or after December 15, 2021. Earlier application is permitted.
<a href="#">CAS 540 Auditing Accounting Estimates and Related Disclosures (New)</a>	March 2019	Effective for audits of financial statements for periods beginning on or after December 15, 2019. Earlier application is permitted.
<a href="#">CAS 700 Forming an Opinion and Reporting on Financial Statements and CAS 701 Communicating Key Audit Matters in the Independent Auditor's Report (New and Amended)</a>	June 2017	Effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted.
<a href="#">CAS 700 Forming an Opinion and Reporting on Financial Statements and CAS 701 Communicating Key Audit Matters in the Independent Auditor's Report (Amendment)</a>	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.
<a href="#">CAS 700 Forming an Opinion and Reporting on Financial Statements (Amendment)</a>	March 2019	Effective immediately.
<a href="#">CAS 720 The Auditor's Responsibilities Relating to Other Information (Amendment)</a>	June 2017	Effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted.
<a href="#">CSAE 3416 Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Amendment)</a>	September 2019	Effective for service auditors' reports for periods ending on or after September 15, 2020. Earlier application is permitted.
<a href="#">CSAE 3530 Attestation Engagements to Report on Compliance (New)</a>	March 2018	Effective for attestation engagements to report on management's statement of an entity's compliance when the practitioner's report is dated on or after April 1, 2019.

NEW AND AMENDED STANDARDS	DATE ISSUED	EFFECTIVE DATE
<a href="#"><u>CSAE 3531 Direct Engagements to Report on Compliance (New)</u></a>	March 2018	Effective for direct engagements to report on an entity's compliance when the practitioner's report is dated on or after April 1, 2019.
<a href="#"><u>S.7170 Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document (New)</u></a>	March 2019	Effective for an auditor's consent issued on or after June 1, 2019.
<a href="#"><u>CSRS 4400 Agreed-Upon Procedures Engagements</u></a>	August 2020	Effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.
<a href="#"><u>CSOA 5000 Use of the Practitioner's Communication or Name (Amendment)</u></a>	March 2019	Effective immediately.
<a href="#"><u>AuG-49 Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements (New)</u></a>	September 2018	Effective for reports dated on or after April 1, 2019. Earlier application is permitted.
<a href="#"><u>AuG-50 Conducting a Performance Audit in the Public Sector in Accordance with CSAE 3001</u></a>	August 2020	Effective immediately.
<a href="#"><u>Conforming Amendments to Canadian Standards Resulting from IAASB Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code</u></a>	July 2020	Effective immediately.

EXPOSURE DRAFTS	DATE ISSUED	EFFECTIVE DATE
<a href="#">Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</a>	May 2020	Proposed to become effective 18 months after approval date. Early application will be permitted.
<a href="#">Auditor Oversight (Proposed Amendments to National Instrument 52-108)</a>	October 2019	No date yet specified.
<a href="#">Quality Management at the Firm and Engagement Level, including Engagement Quality Review</a>	April 2019	Proposed to be effective beginning December 15, 2022. Early application will be permitted.

## **New and Amended Standards**

### ***CAS 250 Consideration of Laws and Regulations in an Audit of Financial Statements (New)***

In March 2017, the Auditing and Assurance Standards Board (AASB) issued a revised and replaced version of *CAS 250 Consideration of Laws and Regulations in an Audit of Financial Statements*. The revised CAS 250 incorporates changes to address actual or perceived inconsistencies in the approach to identifying and responding to instances of identified or suspected non-compliance with laws and regulations between the standard and relevant ethical requirements.

This revised CAS:

- Aligns aspects of the standard to the International Ethics Standards Board for Accountants' revised Code of Ethics for Professional Accountants, particularly the definition of non-compliance and the examples of laws and regulations within the scope of CAS 250;
- Clarifies the requirement regarding the auditor's determination of whether to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity and the auditor's duty of confidentiality, in order to recognize the different provisions of laws, regulations or relevant ethical requirements;
- Highlights that the auditor may have additional responsibilities under law, regulation or relevant ethical requirements, including possible documentation requirements and communicating to other auditors;
- Enhances the consideration of the implications of non-compliance with laws and regulations on the audit; and,
- Emphasizes the fact that, in certain cases, communication with management or those charged with governance may be restricted or prohibited by law or regulation.

Other standards impacted by the revisions to CAS 250 include:

- CAS 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- CAS 450 *Evaluation of Misstatements Identified during the Audit*;
- CSRE 2400 *Engagements to Review Historical Financial Statements*; and,
- CSAE 3410 *Assurance Engagement on Greenhouse Gas Statements*.

These standards are amended to more clearly articulate the auditor's responsibilities regarding identified or suspected non-compliance with laws and regulations.

The revised CAS 250 is effective for audits of financial statements for periods ending on or after December 15, 2018. The effective date of CAS 250, and of applicable requirements in CAS 240, CAS 450, and CSAE 3410 differ from those in the corresponding International Standards.

### ***CAS 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment and CAS 330 The Auditor's Responses to Assessed Risks (Amendment)***

In June 2017, the Auditing and Assurance Standards Board (AASB) issued amendment to Canadian Auditing Standard (CAS) 315 and CAS 330. CAS 315 and CAS 330 have been amended to enhance the audit of financial statement disclosures.

Amendments to CAS 315 set out the requirements for the auditor to:

- Obtain an understanding of the information system including related business processes that are relevant to financial reporting; and
- Identify and assess the risks of material misstatement.

Amendments to CAS 330 set out required audit procedures related to:

- The financial statement closing process;
- The presentation of the financial statements; and
- Documentation.

The revised CAS 315 and CAS 330 are effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted. The effective date of these amended requirements in CAS 315 and CAS 330 differs from that in the corresponding International Standard on Auditing (ISA) 315 and ISA 330.

***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 540 Auditing Accounting Estimates and Related Disclosures (New)**

In March 2019, the Auditing and Assurance Standards Board (AASB) revised and replaced CAS 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*. The revised CAS 540 incorporates changes to establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures.

This revised CAS:

- Introduces the concept of inherent risk factors, including estimation uncertainty, complexity, subjectivity and others;
- Introduces a separate assessment of inherent risk and control risk for accounting estimates;
- Explicitly recognizes the spectrum of inherent risk;
- Enhances requirements for risk assessment procedures related to obtaining an understanding of the entity and its environment, including internal control;
- Introduces objectives-based work effort requirements to design and perform further audit procedures to respond to assessed risks of material misstatement;
- Enhances the “stand-back” requirements by adding an evaluation of corroborative and contradictory audit evidence obtained regarding the accounting estimates;
- Enhances requirements to obtain audit evidence about whether the disclosures are reasonable; and
- Includes a requirement to consider matters regarding accounting estimates when communicating with those charged with governance.

As a result of issuing revised CAS 540, the following standards have been amended to clarify the auditor’s responsibilities regarding auditing accounting estimates and related disclosures:

- CAS 500 *Audit Evidence*;
- CAS 700 *Forming an Opinion and Reporting on Financial Statements*; and
- CAS 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

Further editorial changes have also been made to other standards as a consequence of revising CAS 540.

The revised CAS 540 is effective for audits of financial statements for periods beginning on or after December 15, 2019. 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 (New and Amended)**

In June 2017, the Auditing and Assurance Standards Board (AASB) issued amendments to CAS 700, new CAS 701, and several other amendments to Canadian Auditing Standards (CASs) relating to auditor reporting. The new and amended auditor reporting standards are intended to result in an auditor’s report that increases confidence in the audit and the financial statements.

The auditor’s report in CAS 700 and other related standards has been restructured as follows:

- The Auditor’s Opinion section is required to be presented first, followed by the Basis of Opinion section;
- Enhanced disclosure on going concern is required in accordance with CAS 570 *Going Concern*, including:
  - A description of the respective responsibilities of management and the auditor for going concern;
  - A separate section when a material uncertainty exists and is adequately disclosed, under the heading “Material Uncertainty Related to Going Concern”;
- Disclosure of Key Audit Matters when required by law or regulation in accordance with CAS 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*;
- For listed entities, a statement about the auditor’s independence and fulfillment of relevant ethical responsibilities;
- An enhanced description of the auditor’s responsibilities and key features of an audit is provided. Certain components of the description of the auditor’s responsibilities may be presented in an appendix to the auditor’s report or, where law, regulation or national auditing standards expressly permit, by reference in the auditor’s report to a website of an appropriate authority.

CAS 701 addresses the auditor's responsibility to communicate key audit matters in the auditor's report including the auditor's judgment as to what to communicate and the form and content of such communication.

As a result of the new auditor reporting requirements outlined in amended CAS 700 and 701, the following standards have been revised and replaced:

- CAS 260 *Communication with Those Charged with Governance*;
- CAS 570 *Going Concern*;
- CAS 705 *Modifications to the Opinion in the Independent Auditor's Report*;
- CAS 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*;
- CAS 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*;
- CAS 805 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*;
- CAS 810 *Engagements to Report on Summary Financial Statements*

Further editorial changes have also been made to other standards as a result of the new and amended auditor reporting standards.

The new and amended auditor reporting standards are effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted. The reporting of key audit matters under CAS 701 is only applied in circumstances when the auditor decides to communicate key audit matters in the auditor's report or when required by law or regulation.

The effective dates of CAS 260, CAS 570, CAS 700, CAS 701, CAS 705, CAS 706, CAS 800, CAS 805 and CAS 810 differ from the effective dates of the corresponding International Standards on Auditing (ISAs).

### ***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.

### ***CAS 700 Forming an Opinion and Reporting on Financial Statements (Amendment)***

In March 2019, the Auditing and Assurance Standards Board (AASB) issued an amendment to CAS 700.

The amendment defers by one year the requirement to disclose the engagement partner's name in paragraph 46 for audits of financial statements conducted in accordance with Canadian generally accepted auditing standards (GAAS) when the name of the engagement partner is submitted on Form AP, *Auditor Reporting of Certain Audit Participants*, for filing with the US Public Company Accounting Oversight Board (PCAOB). Therefore, paragraph 46 does not apply to audits of financial statements of affected filers for periods ending before December 15, 2019.

The amendment is effective immediately.

**CAS 720 The Auditor's Responsibilities Relating to Other Information (Amendment)**

In June 2017, the Auditing and Assurance Standards Board (AASB) issued amendments to CAS 720. The amendments revised the standard to specify the responsibilities of the auditor relating to other information, whether financial or non-financial information (other than financial statements and the auditor's report), included in an entity's annual report. Editorial changes have been made to other standards as a result of issuing the amendments to CAS 720.

CAS 720 is effective for audits of financial statements for periods ending on or after December 15, 2018. Earlier application is permitted. The effective date of CAS 720 differs from the effective date of the corresponding International Standard on Auditing (ISA) 720.

**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.

**CSAE 3530 Attestation Engagements to Report on Compliance (New)**

In March 2018, the Auditing and Assurance Standards Board (AASB) issued new Canadian Standard on Assurance Engagements (CSAE) 3530. CSAE 3530 is applicable to attestation engagements to report on management's statement of an entity's compliance with specified requirements. CSAE 3530 sets out requirements related to:

- Acceptance and continuance;
- Planning and performing the engagement;
- Obtaining evidence;
- Forming the assurance conclusion; and
- Preparing the practitioner's report on compliance.

This new CSAE, along with CSAE 3531 *Direct Engagements to Report on Compliance*, replaces:

- s.5800 *Special Reports – Introduction*
- s.5815 *Audit Reports on Compliance with Agreements, Statutes and Regulations*
- s.8600 *Reviews of Compliance with Agreements and Regulations*

CSAE 3530 is effective for attestation compliance reporting engagements when the practitioner's report is dated on or after April 1, 2019.

#### **CSAE 3531 *Direct Engagements to Report on Compliance (New)***

In March 2018, the Auditing and Assurance Standards Board (AASB) issued new Canadian Standard on Assurance Engagements (CSAE) 3531. CSAE 3531 is applicable to direct engagements to report on an entity's compliance with specified requirements.

CSAE 3531 sets out requirements related to:

- Acceptance and continuance;
- Planning and performing the engagement;
- Obtaining evidence;
- Forming the assurance conclusion; and
- Preparing the practitioner's report on compliance.

This new CSAE, along with CSAE 3530 *Attestation Engagements to Report on Compliance*, replaces:

- s.5800 *Special Reports – Introduction*
- s.5815 *Audit Reports on Compliance with Agreements, Statutes and Regulations*
- s.8600 *Reviews of Compliance with Agreements and Regulations*

CSAE 3531 is effective for direct compliance reporting engagements when the practitioner's report is dated on or after April 1, 2019.

#### **S.7170 *Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document (New)***

In March 2019, the Auditing and Assurance Standards Board (AASB) issued a revised s.7170, which replaces extant s.7170 *Auditor's Consent to the Use of the Auditor's Report Included in a Business Acquisition Report* and s.7500 *Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents*. The revised Section sets out requirements relating to the auditor's responsibilities in responding to requests to consent to the use of the auditor's report in connection with a designated document.

As a result of issuing revised s.7170, Appendix 2 of s.7150 *Auditor's Consent to the Use of a Report of the Auditor Included in an Offering Document* was amended to reflect management's responsibilities in the illustrative engagement letter.

The revised s.7170 is effective for an auditor's consent issued on or after June 1, 2019.

#### **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.

#### **CSOA 5000 Use of the Practitioner's Communication or Name (Amendment)**

In March 2019, the Auditing and Assurance Standards Board (AASB) issued amendments to Canadian Standard on Association (CSOA) 5000 *Use of the Practitioner's Communication or Name* to reflect the scope of revised s.7170 *Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document*. The amendments replace the reference to a business acquisition report with a reference to a designated document in dealing with specific aspects of association. The amendments also remove the sentence dealing with providing consent under the previous s.7500 *Auditor's Consent to the Use of the Auditor's Report in Connection with Designated Documents*, which was replaced by revised s.7170.

The amendments are effective immediately.

#### **AuG-49 Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements (New)**

In September 2018, the Auditing and Assurance Standards Board (AASB) issued Assurance and Related Services Guideline AuG-49 *Reporting on Compliance with Specified Authorities for Transactions Coming to the Auditor's Notice during the Audit of Financial Statements*. This new AuG-49 provides guidance for auditors when expressing an opinion on whether transactions coming to the auditor's notice during an audit of the financial statements complied with specified authorities. It aligns the compliance opinion report with CAS 700 *Forming an Opinion and Reporting on Financial Statements*, under which these matters are reported.

AuG-49 is effective for reports dated on or after April 1, 2019. Earlier application is permitted.

#### **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.

## **Exposure Drafts**

### ***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.

ISA 600 (Revised) is proposed to become effective for financial reporting periods beginning approximately 18 months after the approval of a final ISA. 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.

### ***Auditor Oversight (Proposed Amendments to National Instrument 52-108)***

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.

**Quality Management at the Firm and Engagement Level, including Engagement Quality Review**

In April 2019, the Auditing and Assurance Standards Board (AASB) issued an Exposure Draft (ED) to propose Canadian amendments equivalent to the proposals in the International Auditing and Assurance Standards Board's (IAASB) ED, *Quality Management at the Firm and Engagement Level, including Engagement Quality Review*. The proposed amendments aim to strengthen the standards addressing quality control.

The key features of the proposed amendments include:

- Replacing CSQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* with CSQM 1 *Quality Management for Firms that Performs Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. This change would bring related services engagements into the firm's system of quality management 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. The proposed CSQM 1 would require 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.
- Introducing a new standard CSQM 2 *Engagement Quality Review*. The proposed new standard would provide 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.
- Revisions to CAS 220 to align with the requirements of proposed ISA 220 *Quality Management for an Audit of Financial Statements*. The proposed 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. Proposed CAS 220 is meant to be scalable for firms of different sizes and for engagements where the nature and circumstances differ.

On June 9, 2020, the AASB proposed deferring the effective date of the standards by one year from the originally planned effective date due to the impact of the COVID-19 pandemic. This deferral would result in the standards now being effective beginning December 15, 2022. Early application would be permitted. On September 2020, the IAASB approved the final amendments. The AASB expects to approve the standards at its January 2021 meeting.

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