

CURRENT DEVELOPMENTS

Canadian Assurance & Related Services

Q4 2022

Table of contents

This edition provides a summary of newly effective and forthcoming requirements for assurance and related services in Canada in the quarter ended December 31, 2022.

03 Newly Effective Audit Standards Issued

04 Newly Effective Related Services Standards

05 Proposed Standards

05 Audit Evidence

05 Fraud

05 Going Concern

05 Listed Entity and Public Interest Entity

Newly Effective Audit Standards Issued

Standard	Applicability	Key changes included
ISQM-1, <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or related Services Engagements</i>	<p>Applies to all firms that perform audits or reviews of financial statements, or other assurance or related services engagements</p> <p>Firms are required to:</p> <ul style="list-style-type: none"> • have their SoQM designed and implemented by 15 December 2022 • evaluate the SoQM at least annually, and no later than 15 December 2023 for the first evaluation 	<ul style="list-style-type: none"> – Focuses on quality management at the firm level. – Requires the firm to design, implement and operate a system of quality management (SoQM) to manage the quality of engagements performed by the firm.
ISQM-2, <i>Engagement Quality Reviews</i>	Applies to audits and reviews of financial statements; and other assurance and related services engagements, for periods beginning on or after 15 December 2022	<ul style="list-style-type: none"> – Focuses on the appointment of the engagement quality (EQ) reviewer and the EQ reviewer's responsibilities relating to the performance and documentation of an EQ review.
ISA 220 (Revised), <i>Quality Management for an Audit of Financial Statements</i>	Applies to audits of financial statements for periods beginning on or after 15 December 2022	<ul style="list-style-type: none"> – Focuses on quality management at the engagement level. – Clarifies and strengthens the key elements of quality management at the engagement level, focusing on the critically important role of the engagement partner and reinforcing the importance of quality to all members of the engagement team.

The International Auditing and Assurance Standards Board (IAASB) has issued three new and revised standards to strengthen and modernize the approach to quality management.

These standards address an evolving and increasingly complex environment, including a need for quality management systems that are proactive and adaptable.

Newly Effective Related Services Standards

Standard	Applicability	Why did this change?	Key changes
CSRS 4400, <i>Agreed-Upon Procedures Engagements</i>	Effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.	CSRS 4400 combined two extant Canadian standards and was developed to align with ISRS 4400 (Revised).	CSRS 4400 applies to both financial and non-financial subject matters and clarifies a number of issues for the practitioner related to the scope of work to be performed. Additional requirements include: <ul style="list-style-type: none"> — Strengthened documentation to demonstrate the exercise of professional skepticism. — Introduction of requirements for continuance and acceptance.
CSRS 4200, <i>Compilation Engagements</i>	Effective for compiled financial information for periods ending on or after December 14, 2021.	Standards related to compilation engagements had not been significantly revised since initial issuance in 1987. Through consultation, the Auditing and Assurance Standards Board (AASB) noted several gaps in the old standard.	CSRS 4200 provides greater clarity on the services included in the scope of compilation engagements. Additional requirements include: <ul style="list-style-type: none"> — Issuance of a new engagement letter. — A requirement to ask management about the intended use of the compiled information, including whether it is intended to be used by a third party. — Inclusion of a description of the basis of accounting is required to be included in a note in the compiled financial information.

Proposed Standards

Audit Evidence

At its September meeting, The AASB discussed issues related to the International Auditing and Assurance Standards Board's (IAASB) proposed revisions to ISA 500, *Audit Evidence*. Key issues included:

- the revisions the IAASB made to the proposed changes to ISA 500 in finalizing its exposure draft;
- the conforming and consequential amendments related to ISA 500;
- the conforming and consequential amendments related to ISA 500;
- the matters related to the Canadian Exposure Draft, including the comment period and fatal-flaw review of the French translation; and
- a review of the Canadian wrap-around document to be issued as part of the Canadian exposure draft.

The AASB approved the exposure draft, which it [issued in November 2022](#). The draft has been circulated for comment with a deadline of March 15, 2023.

Fraud

The AASB discussed issues related to the International Auditing and Assurance Standards Board's (IAASB) project to revise International Standard on Auditing (ISA) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Key issues included:

- the auditor's responsibilities when fraud or suspected fraud is identified;
- communicating identified fraud risks and the auditor's response in the auditor's report; and
- proposals to address the issue of identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud in the financial statements.

Going Concern

The AASB discussed issues related to the IAASB's project to revise ISA 570 (Revised), *Going Concern*. Key issues included:

- the auditor's evaluation of management's going concern assessment;
- the going concern disclosures in the auditor's report; and
- the repositioning and redrafting of certain paragraphs to enhance clarity of the ISA.

Listed Entity and Public Interest Entity

The AASB discussed issues related to the IAASB's narrow-scope amendments project to revise the definitions of "listed entity" and "public interest entity", and other revisions to align with recent changes to the International Ethics Standards Board for Accountants International Code of Ethics for Accountants (including International Independence Standards) (IESBA Code). Key issues included:

- the IAASB's proposed objective and guidelines for establishing differential requirements for certain entities in the International Standards on Quality Management (ISQMs) and ISAs;
- the factors and examples in evaluating the extent of public interest of an entity;
- a case-by-case analysis of extant differential requirements for listed entities in the ISQMs and ISAs;
- the IAASB adopted the IESBA definition of "public interest entities" (PIE) and "publicly traded entity" into the ISQMs, ISAs, and the Glossary of Terms; and
- the introductory and application material in the ISQMs and ISAs.

The AASB also discussed possible implications in Canada of the proposed revisions, considering the Codes of Professional Conduct that practitioners are required to comply with in Canada are not the same as the IESBA Code. The Board will discuss these implications further at future meetings.

Contact us

Tony Marino

Partner

416-777-8202

tmarino@kpmg.ca

kpmg.ca



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International Limited.