



**CURRENT DEVELOPMENTS**

# **Canadian Assurance & Related Services**

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# Newly Effective Audit Standards Issued

Three new and revised standards to strengthen and modernize the approach to quality management were issued.

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

Standard	Applicability	Key changes
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"> <li>• have their SoQM <b>designed and implemented by</b> 15 December 2022</li> <li>• <b>evaluate</b> the SoQM at least annually, and no later than 15 December 2023 for the first evaluation</li> </ul>	<ul style="list-style-type: none"> <li>– Focuses on quality management <b>at the firm</b> level.</li> <li>– Requires the firm to design, implement and operate a system of quality management (<b>SoQM</b>) to manage the quality of engagements performed by the firm.</li> </ul>
ISQM-2, <i>Engagement Quality Re the conforming and consequential views</i>	<p>Applies to audits and reviews of financial statements; and other assurance and related services engagements, for periods <b>beginning on or after</b> 15 December 2022</p>	<ul style="list-style-type: none"> <li>– Focuses on the appointment of the engagement quality (<b>EQ</b>) reviewer and the EQ reviewer's responsibilities relating to the performance and documentation of an EQ review.</li> </ul>
ISA 220 (Revised), <i>Quality Management for an Audit of Financial Statements</i>	<p>Applies to audits of financial statements for periods <b>beginning on or after</b> 15 December 2022</p>	<ul style="list-style-type: none"> <li>– Focuses on quality management <b>at the engagement</b> level.</li> <li>– 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.</li> </ul>

# 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 <b>on or after</b> 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"> <li>– Strengthened documentation to demonstrate the exercise of professional skepticism.</li> <li>– Introduction of requirements for continuance and acceptance.</li> </ul>
CSRS 4200, <i>Compilation Engagements</i>	Effective for compiled financial information for periods ending <b>on or after</b> 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"> <li>– Issuance of a new engagement letter.</li> <li>– 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.</li> <li>– Inclusion of a description of the basis of accounting is required to be included in a note in the compiled financial information.</li> </ul>

# Proposed Standards

## Compilation of Future-oriented Financial Information

At its January meeting, the Auditing and Assurance Standards Board (AASB) discussed issues related to the project to develop a new Canadian Standard on Related Services on compilations of future-oriented financial information that will replace Assurance and Related Services Guideline (AuG) 16, *Compilation of a Financial Forecast or Projection*. Key issues included:

- the definitions of “forecast,” “hypotheses,” and “projection”;
- the definition of “pro-forma financial information”; and
- the scope of the proposed new standard.

## Sustainability

The AASB reviewed and unanimously approved a Canadian Project Proposal for a sustainability assurance standard, adopted concurrently from the International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, as an Other Canadian Standard. Key issues included:

- the project’s scope, public interest considerations, and risk assessment;
- the limited circumstance where the AASB can make amendments to the international standard (i.e., the amendment criteria);
- the relationship of the proposed Canadian Standard on Sustainability Assurance (CSSA) 5000 with other Canadian standards;
- the Board’s influence in drafting the international standard; and
- the project’s timeline, resources, and communications plan.

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