



**CURRENT DEVELOPMENTS**

# **Canadian Assurance & Related Services**

**Q3 2023**

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# Newly Effective Standards Issued

## CAS 500, Audit Evidence and Appendix: Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors

In February 2023, a revised Joint Policy Statement (JPS), effective for communications between the auditor and the actuary involved in the preparation of financial statements, was approved by both the Canadian Actuarial Standards Board and by the Auditing and Assurance Standards Board (AASB). The revised JPS has been appended to CAS 500, *Audit Evidence*, and is applicable for communications that are initiated on or after March 31, 2023.

The purpose of the JPS is to facilitate effective communication between an auditor and an actuary as the two professionals conduct their respective engagement relating to the entity's financial statements. The JPS clarifies that communications between an auditor and an actuary about work performed in the context of the underlying audit engagement is not an agreed upon procedures engagement within the scope of CSRS 4400, *Agreed-Upon Procedures Engagements* by providing illustrative examples of each respective professional's written response to the inquiring professional.

## Quality Management Standards

In January 2021, the AASB approved the issuance of one new and two 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.

Standard	Applicability	Key changes
CSQM-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 system of quality management (SoQM) <b>designed and implemented by</b> December 15, 2022</li> <li><b>evaluate</b> the SoQM at least annually, and no later than December 15, 2023 for the first evaluation</li> </ul> <p>A one year deferral is available for systems of quality management applicable to related services engagements.</p>	<p>Expands on the extant Standard of Quality Control (CSQC 1) by:</p> <ul style="list-style-type: none"> <li>Introducing a proactive, risk-based approach</li> <li>Establishing quality objectives related to governance, technology and intellectual resources, and</li> <li>Requiring firms to perform an annual self-assessment of whether its SoQM provides reasonable assurance that the firm and its people comply with laws, regulations and professional standards; and that engagement reports issued by the firm are appropriate in the circumstances.</li> </ul>

<p>CSQM-2, <i>Engagement Quality Reviews</i></p>	<p>Applies to audits and reviews of financial statements for periods <b>beginning on or after</b> December 15, 2022</p> <p>Applies to other assurance engagements <b>beginning on or after</b> December 25, 2022</p> <p>Applies to related services engagements <b>beginning on or after</b> December 15, 2023</p>	<p>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.</p>
<p>CAS 220, <i>Quality Management for an Audit of Financial Statements</i></p>	<p>Applies to audits of financial statements for periods <b>beginning on or after</b> December 15, 2022</p> <p>Focuses on quality management <b>at the engagement</b> level.</p>	<p>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.</p>

# Audit Standards Issued but Not Yet Effective

Standard	Applicability	Why did this change?	Key changes
CAS 600, <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>	Effective for audits of group financial statements for periods beginning <b>on or after</b> December 15, 2023.	<p>The revised standard deals with considerations that apply to the audit of group financial statements, including in those circumstances when component auditors are involved. This change is intended to:</p> <ul style="list-style-type: none"> <li>• Encourage proactive management of quality at the group engagement level and the component level.</li> <li>• Keep the standard fit for purpose in a wide range of circumstances in a developing environment.</li> <li>• Reinforce the need for robust communication and interactions during the group audit.</li> <li>• Foster an appropriately independent and challenging skeptical mindset of the auditor.</li> </ul>	<p>Some new requirements have been added, and revisions have been made to existing requirements and the application material to better align the standard with recently revised standards such as CSQM 1, CAS 220 and CAS 315, <i>Identifying and Assessing the Risks of Material Misstatement</i>.</p> <p>The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.</p>

# Proposed Standards and Projects to Revise Standards

## Sustainability Assurance

The International Auditing and Assurance Standards Board (IAASB) is currently working on a project to develop an overarching standard for assurance on sustainability reporting, proposed International Standard on Sustainability Assurance (ISSA) 5000, **General Requirements for Sustainability Assurance Engagements**. The IAASB has leveraged existing assurance standards on non-financial information, extended external reporting (EER) non-authoritative guidance, and the International Standards on Auditing (ISAs).

The AASB is monitoring the IAASB's progress on this initiative and has approved a project to adopt ISSA 5000 concurrently in Canada as Canadian Standard on Sustainability Assurance (CSSA) 5000, **General Requirements for Sustainability Assurance Engagements**.

The [Exposure Draft for CSSA 5000](#) and proposed Canadian specific amendments were approved for consultation in August 2023. Comments to the AASB on its Exposure Draft are due as follows:

- responses to the general questions are due by November 6, 2023, to ensure the AASB can incorporate feedback from Canadians in its response - due on December 1, 2023; and
- responses relevant to the proposed Canadian specific amendments are due by December 31, 2023.

## Audit Evidence

In 2021, the AASB approved a project to explore issues relevant to audit evidence, including those arising from technology, professional skepticism, and the growing number of sources of information available to auditors. A key objective

of the project was to identify and implement actions to address these issues, which may include revisions to CAS 500, **Audit Evidence**, or the issuance of non-authoritative guidance.

This project aligns with activities the IAASB has undertaken to revise ISA 500, **Audit Evidence**, to address changes to the audit environment.

In 2022, both the IAASB and the AASB issued an Exposure Draft of proposed revisions to the **Audit Evidence** standard. Based on comments received, revisions are being made.

## Going Concern

The IAASB is currently working on a project to revise International Standard on Auditing 570 (Revised), **Going Concern**, with an aim to:

- Promote consistent practice and behaviors, and to facilitate effective responses to identified risks of material misstatement related to going concern;
- Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism; and
- Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements

The AASB is committed to adopting the ISAs as CASs and therefore, obtained feedback from Canadians on the proposed amendments by issuing an Exposure Draft on Canadian Auditing Standards (CAS) 570, **Going Concern** in May 2023. Feedback received was incorporated into the AASB's response to the IAASB's Exposure Draft, Proposed International Standard on Auditing 570 (Revised 202X), **Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs** in August 2023.

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