

CICA handbook – assurance revisions release no. 1 March 1999

ASSURANCE RECOMMENDATIONS

Introduction to Assurance and Related Services Recommendations

Amended the Introduction to reflect changes in the Terms of Reference of the Auditing Standards Board approved by the CICA Board of Directors. Effective October 1, 1998, the Auditing Standards Board was renamed the Assurance Standards Board and assumed responsibility for public sector assurance standards.

Introduction to Assurance and Related Services

Amended to reflect the transfer of the Public Sector Assurance Recommendations to the CICA Handbook – Assurance. Amended Appendix to reflect recent Handbook Releases.

Standards for assurance engagements, Section 5025, Appendix A

Amended references to guidance on derivative reports to refer to COMMUNICATION OF MATTERS IDENTIFIED DURING THE FINANCIAL STATEMENT AUDIT, Section 5750.

International Standards on Auditing, Section 5101

Deleted paragraph 5101.08 since reporting in accordance with International Standards on Auditing (ISAs) is dealt with in new FOREIGN REPORTING, Section 5610 and re-numbered paragraphs 5101.09 to 5101.15 as 5101.08 to 5101.14.

Amended paragraph 5101.13 to refer to the following new material for which there is no International equivalent, FOREIGN REPORTING, Section 5610, COMMUNICATION OF MATTERS IDENTIFIED DURING THE FINANCIAL STATEMENT AUDIT, Section 5750, and ASSURANCE AND RELATED SERVICES GUIDELINE AuG-24, The Year 2000 Issue — Service Auditor Responsibilities and Audit Evidence Considerations when an Entity uses a Service Organization; and to delete the reference to ASSURANCE AND RELATED SERVICES GUIDELINE AuG-19, Audit of Financial Statements Affected by Environmental Matters, for which a comparable International Auditing Practice Statement has been issued.

Date of comparison relocated from paragraph 5101.14 to paragraph 5101.05.

Updated comparisons of "Risk assessments and internal control — ISA 400", "Related Parties — ISA 550", "Management representations — ISA 580", and "The auditor's report on special purpose audit engagements — ISA 800" to reflect new or revised CICA Handbook – Assurance Sections or Guidelines issued since March 1997.

Corresponding changes made to the Appendix. The Appendix has also been updated with respect to Guidelines issued since March 1997 for which there are no comparable ISAs, and to cross-reference relevant International Auditing Practice Statements issued since March 1997.

Auditor's responsibility to detect and communicate misstatements, Section 5135

Footnote 5 revised as a result of issue of new Section 6010.

Misstatements — illegal acts, Section 5136

Footnote 3 revised as a result of issue of new Section 6010.

Planning and supervision, Section 5150

Amended paragraph 5150.01 to correct the cross-reference to examination standard paragraph 5100.02(i) to reflect the current wording of that paragraph.

The following reference to examination standard paragraph 5100.02(i) formerly appeared in paragraph 5150.01:

"The work should be adequately planned and properly executed. If assistants are employed they should be properly supervised."

Internal control in the context of an audit — weaknesses in internal control, paragraph 5220.06

Revised as a result of issue of new Section 6010.

Reservations in the auditor's report, Section 5510, Examples of auditors' reports with reservations of opinion

Amended to change references from "changes in financial position" to "cash flows" and "changes in its financial position" to "its cash flows" as a result of revisions to CASH FLOW STATEMENTS, CICA HANDBOOK – ACCOUNTING Section 1540 issued in June 1998.

Also amended report examples K and L to delete the term "working capital" in the reservation paragraphs of the reports. This term did not conform with Section 1540.

Communication of matters identified during the financial statement audit, Section 5750

Paragraph 5750.01(d) added as a result of issue of new Section 6010.

Paragraphs 5750.17, .19 and .22 revised as a result of issue of new Section 6010.

Special reports on compliance with agreements, statutes and regulations, Section 5815

Amended the opinion paragraph in the example report in paragraph 5815.11 to state that the opinion expressed is as at December 31, 19X1.

Audit of related party transactions, Section 6010 [APR. 1999]

New.

The auditor's involvement with prospectuses and other offering documents, Section 7100

Section amended to change references from "changes in financial position" to "cash flows" and "changes in its financial position" to "its cash flows" as a result of revisions to CASH FLOW STATEMENTS, CICA HANDBOOK – ACCOUNTING Section 1540 issued in June 1998.

Reports on the application of accounting principles, auditing standards or review standards, Section 7600

Amended paragraph 7600.03(a) by adding subparagraph indicators (i), (ii) and (iii), which are needed to clarify that the Section does not apply to an opinion pursuant to specified types of work.

Reviews of financial statements, Section 8200, Appendix B

Examples amended to change references from "changes in financial position" to "cash flows" and "changes in its financial position" to "its cash flows" as a result of revisions to CASH FLOW STATEMENTS, CICA HANDBOOK – ACCOUNTING Section 1540 issued in June 1998.

Compilation engagements, Section 9200

Amended Recommendation paragraph 9200.18 to state that if management does not provide the information requested or does not agree with the statements, the public accountant should not release the statements and should withdraw from the engagement. The former wording of paragraph 9200.18 was:

♦ *When the public accountant is aware that there are matters which the public accountant believes would cause the financial statements to be false or misleading, he or she would request additional or revised information in order to complete the statements. If the client does not provide the information requested or agree with the statements, the public accountant should not release the statements and should withdraw from the engagement.* [JAN. 1988 *]

PUBLIC SECTOR ASSURANCE RECOMMENDATIONS

Effective with the transfer of responsibility for assurance standards from the Public Sector Accounting and Auditing Board (PSAAB) to the Assurance Standards Board (ASB), the following Sections have been transferred to CICA Handbook – Assurance:

- INTRODUCTION TO ASSURANCE RECOMMENDATIONS THAT APPLY ONLY TO THE PUBLIC SECTOR, Section PS 5000;
- AUDIT OF FINANCIAL STATEMENTS OF FEDERAL, PROVINCIAL AND TERRITORIAL GOVERNMENTS, Section PS 5200;
- AUDITING FOR COMPLIANCE WITH LEGISLATIVE AND RELATED AUTHORITIES, Section PS 5300;
- VALUE-FOR-MONEY AUDITING, Section PS 5400;
- PLANNING VALUE-FOR-MONEY AUDITS, Section PS 6410;
- KNOWLEDGE OF THE AUDIT ENTITY IN PLANNING VALUE-FOR-MONEY AUDITS, Section PS 6420;
and
- ENGAGING AND USING SPECIALISTS IN VALUE-FOR-MONEY AUDITS, Section PS 6430.

Changes were made to these Sections to remove duplication with the STANDARDS FOR ASSURANCE ENGAGEMENTS, Section 5025, to update references and to conform them to the form and terminology of CICA Handbook – Assurance. In some cases, paragraphs have been renumbered.

The following two Public Sector Auditing Sections were not transferred because the Sections were jointly developed by PSAAB and the ASB and comparable Sections already exist in CICA Handbook – Assurance:

- STANDARDS FOR ASSURANCE ENGAGEMENTS, Section PS 5100 (see Section 5025); and
- USING THE WORK OF INTERNAL AUDIT, Section PS 6150 (see Section 5050).

In updating the Sections prior to transfer, a number of editorial changes were made to PS 5000, PS 5200, PS 5300 and PS 5400. In addition to editorial changes, the following amendments were made:

Introduction to assurance recommendations that apply only to the public sector, Section PS 5000 (formerly issued as AUDITING IN THE PUBLIC SECTOR, Section PS 5000)

Amended former paragraph PS 5000.10 to refer to specific types of engagements for which there are Public Sector Assurance Recommendations. Re-numbered paragraphs PS 5000.10 and .11 as paragraphs PS 5000.09 and .10 and former paragraph PS 5000.09 as paragraph PS 5000.11.

Deleted former paragraph PS 5000.12 because guidance on reporting is provided in specific Public Sector Assurance Recommendations.

Deleted former paragraph PS 5000.13 because these matters are addressed in STANDARDS FOR ASSURANCE ENGAGEMENTS, Section 5025.

Deleted paragraphs PS 5000.14 and .15 because the revisions to the Introduction to Assurance and Related Services Recommendations establish the applicability of Recommendations in CICA Handbook – Assurance to auditors of public sector entities.

Added new paragraph PS 5000.12 to clarify that terminology used in CICA Handbook – Assurance may need to be modified when applied to the public sector.

Added new paragraph PS 5000.13 to explain that the Public Sector Auditing Sections that have been transferred from the Public Sector Accounting and Auditing Handbook to CICA Handbook – Assurance.

Audit of financial statements of federal, provincial and territorial governments, Section PS 5200

Deleted paragraphs PS 5200.04 and PS 5200.07 as the Recommendations directing public sector auditors to comply with the generally accepted auditing standards and other Recommendations in CICA Handbook – Assurance are no longer necessary. The wording of these former paragraphs was:

- .04 ♦ *When conducting an examination designed to express an opinion on financial statements the auditor should do so in accordance with generally accepted auditing standards as set out in the CICA HANDBOOK GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100. [MAY 1985]*
- .07 ♦ *When exercising professional judgment as to the procedures required for adherence to generally accepted auditing standards the auditor should have regard to those other Auditing Recommendations in the CICA HANDBOOK. [MAY 1985]*

Revised paragraphs PS 5200.09-.15 as the guidance did not reflect the level of acceptance of the Public Sector Accounting and Auditing Board's Recommendations in practice. The wording of the Recommendation in former paragraph PS 5200.12 was:

♦ *In the absence of generally accepted accounting principles appropriate for the reporting entity, auditors should express, in their report on financial statements, a reservation of opinion on any accounting policies which they believe result in misleading financial statements together with the reasons and, when practicable, quantification of the effect on the statements. [MAY 1985]*

Auditing for compliance with legislative and related authorities in the public sector, Section PS 5300

The example reports in the appendices deleted.

Value-for-money auditing in the public sector, Section PS 5400

Deleted paragraphs PS 5400.09-.35 on general and performance standards because the auditor is now directed to follow the general and performance standards set out in STANDARDS FOR ASSURANCE ENGAGEMENTS, Section 5025. The following Recommendations have been deleted:

- .10 ♦ *The person or persons carrying out the examination should possess or collectively possess the knowledge and competence necessary to fulfill the requirements of the particular audit. [MARCH 1988]*
- .14 ♦ *The examination should be performed and the report prepared with due care and with an objective state of mind. [MARCH 1988]*
- .17 ♦ *The work should be adequately planned and properly executed. Audit team members should be properly supervised. [MARCH 1988]*
- .24 ♦ *Criteria for evaluating the matters subject to audit should be identified and the auditor should assess their suitability in the circumstances. [MARCH 1988]*
- .31 ♦ *Sufficient appropriate audit evidence should be obtained to afford a reasonable basis to support the content of the auditor's report. [MARCH 1988]*

Added new paragraph PS 5400.11 to provide guidance on the content of the auditor's report when expressing an opinion with respect to an entity, or portion thereof.

Amended former paragraph PS 5400.37 (new paragraph PS 5400.12) to relate the Recommendation to auditor's reporting observed deficiencies. The former wording of this paragraph was:

- ♦ *The auditor's report should:*
- (a) *describe the objectives and scope of the audit including any limitations therein;*
 - (b) *state that the examination was performed in accordance with the standards recommended in this Section and accordingly included such tests and other procedures as the auditor considered necessary in the circumstances;*
 - (c) *identify the criteria and describe the findings which form the basis for the auditor's conclusions; and*
 - (d) *state the auditor's conclusions. [MARCH 1988]*

ASSURANCE AND RELATED SERVICES GUIDELINES

Related party transactions and economic dependence (AuG-1)

Withdrawn.

Audit of pension costs and obligations (AuG-2)

Amended to note the release of EMPLOYEE FUTURE BENEFITS, CICA HANDBOOK – ACCOUNTING Section 3461.

Auditor's report on comparative financial statements (AuG-8)

Paragraph 3 amended to reflect withdrawal of PRIOR PERIOD ADJUSTMENTS, CICA HANDBOOK – ACCOUNTING Section 3600 in March 1996.

Amended examples to change references from "changes in financial position" to "cash flows" and "changes in its financial position" to "its cash flows" as a result of revisions to CASH FLOW STATEMENTS, CICA HANDBOOK – ACCOUNTING Section 1540 issued in June 1998.

Amended Example F to use terminology and an example that conform with ACCOUNTING CHANGES, CICA HANDBOOK – ACCOUNTING paragraphs 1506.31-.33.

Communications with audit committees (or equivalent) (AuG-11)

Revised paragraph 15(e) as a result of issue of new Section 6010.

Added paragraph 23 as a result of issue of new Section 6010, and existing paragraphs 23 to 32 renumbered as paragraphs 24 to 33.

Performance of a review of financial statements (AuG-20)

Revised paragraph 19(c) as a result of issue of RELATED PARTY TRANSACTIONS, CICA HANDBOOK – ACCOUNTING Section 3840 issued in September 1995.

Paragraphs 11(a) and (c) amended to conform with terminology adopted in INCOME TAXES, CICA HANDBOOK – ACCOUNTING Section 3465 issued in December 1997.

Fifth bullet point on page 13 revised as a result of issue of new Section 6010.

The year 2000 issue — specified procedures engagement pursuant to the requirements of certain regulatory organizations (AuG-27)

Issued.

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