

CICA handbook – assurance revisions release no. 12 May 2002

ASSURANCE RECOMMENDATIONS

Standards for assurance engagements, Section 5025

Detailed guidance on use of specialists relocated in new Section 5049. Recommendations in former paragraphs 5025.29, .31, .35, .43-.46, .51, .56, .62, .66, .78-.79, .81, .83 and .85 renumbered as 5025.28, .30, .32, .40-.43, .48, .53, .58, .62, .73-.74, .76, .78 and .80 respectively.

Added cross-references to new Section 5049 in paragraphs 5025.18 and in a new footnote to paragraph 5025.25.

In paragraphs 5025.25, .31 and .46, added the phrase "including specialists" when referring to persons performing the engagement.

The equivalent to the second sentence of the Recommendation in former paragraph 5025.31 (now 5025.30) is now located in paragraph 5049.24. Former paragraph 5025.31 read:

♦ *The practitioner and any other persons performing the assurance engagement should collectively possess adequate knowledge of the subject matter. In addition, when a specialist is involved, the practitioner should consider whether the practitioner's involvement in the engagement and knowledge of the subject matter elements involving the specialist is sufficient to enable the practitioner to discharge his or her responsibilities.* [APRIL 1997]

Use of specialists in assurance engagements, Section 5049 [JULY 2002]

New.

Replaces USING THE WORK OF A SPECIALIST, Section 5360, and ENGAGING AND USING SPECIALISTS IN VALUE-FOR-MONEY AUDITS, Section PS 6430.

International Standards on Auditing, Section 5101

Amended paragraph 5101.12 to refer to the following new material that is directed to the Canadian environment, AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS, Section 7050, and ASSURANCE AND RELATED SERVICES GUIDELINE AuG-30, The Auditor's Consent and Comfort in Connection with Securities Offering Documents.

Updated the comparison of "Assurance Engagements — ISA 100" and "Using the work of an expert — ISA 620" to reflect the release of USE OF SPECIALISTS IN ASSURANCE ENGAGEMENTS, Section 5049.

Updated the comparison of "Communications of audit matters with those charged with governance — ISA 260" to reflect the release of COMMUNICATIONS WITH THOSE HAVING OVERSIGHT RESPONSIBILITY FOR THE FINANCIAL REPORTING PROCESS, Section 5751.

Updated the comparison of "Audit Materiality — ISA 320" to reflect the fact that ASSURANCE AND RELATED SERVICES GUIDELINE AuG-7, Applying Materiality and Audit Risk Concepts in Conducting an Audit, has been superseded by ASSURANCE AND RELATED SERVICES GUIDELINE AuG-31, Applying Materiality and Audit Risk Concepts in Conducting an Audit.

Corresponding changes made to the Appendix. The Appendix has also been updated with respect to Sections and Guidelines issued since January 2001 for which there are no comparable ISAs and to indicate that the International Auditing Practice Statements which are cross-referenced to EDP AUDITING GUIDELINES EDPs-2, 4, 5 and 6 were revised in 2001.

The auditor's responsibility to consider fraud and error in an audit of financial statements, Section 5135

Amended Recommendation paragraphs 5135.59 and .62 to reflect change in name of Section 5750 and add a cross-reference to new Section 5751.

Knowledge of the entity's business, Section 5140

Illustrations of aspects of the entity's audit committee or equivalent that would be considered by the auditor added to Appendix as a result of new Section 5751.

Using the work of a specialist, Section 5360

Withdrawn. Replaced by new Section 5049.

The following Recommendations formerly appeared in Section 5360:

- .09 ♦ When the auditor plans to use the work of a specialist as audit evidence, he should have or obtain reasonable assurance concerning the specialist's reputation for competence. [AUG. 1981]
- .14 ♦ When the auditor uses the work of a specialist, he should:
 - (a) satisfy himself that, based on his knowledge of the business and his knowledge of the specialist's methods, assumptions and source data, the findings appear to be reasonable; and
 - (b) obtain reasonable assurance that:
 - (i) accounting data provided by the client to the specialist is appropriate; and
 - (ii) the specialist's findings support the related assertions in the financial statements. [AUG. 1981]
- .17 ♦ When expressing an opinion without reservation, the auditor should not refer in his report to the use of the work of the specialist. [AUG. 1981]

Communications with actuaries, Section 5365

Cross-references in paragraphs 5365.01 and .04 and paragraphs 5365A.16 to guidance on use of specialists have been removed. Existing wording has been retained, although not as a quote or paraphrase.

In paragraph 5365A.19, "Recommendations" changed to read "Standards of Practice" to reflect change in due process of the Canadian Institute of Actuaries.

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

(formerly named COMMUNICATION OF MATTERS IDENTIFIED DURING THE FINANCIAL STATEMENT AUDIT, Section 5750)

Section amended to limit its scope of application to communication with management. Previous guidance that applied to communication with the audit committee or equivalent relocated in new Section 5751.

Amended Recommendation paragraph 5750.07 to delete references to the audit committee or equivalent and change "the addressees" to read "management". The former wording of this paragraph was:

- ♦ When communicating matters that have been identified during the financial statement audit, the auditor should indicate that the communication is a by-product of the financial statement audit, and therefore is a derivative communication, and that the audit would not usually identify all matters that may be of interest to management or the audit committee or equivalent in discharging their responsibilities. The communication should also indicate that it is prepared solely for the information of the addressees and is not intended for any other purpose. [JULY 1997 *]

Footnotes 1, 4 and 6 deleted and remaining footnotes renumbered.

Paragraphs 5750.17-.20 deleted and paragraphs 5750.21-.22 renumbered as paragraphs 5750.17-.18.

Communications with those having oversight responsibility for the financial reporting process, Section 5751

[DEC. 2002*]

New.

* The Recommendations in this Section are effective with respect to audits of financial statements relating to periods ending on or after December 15, 2002.

Auditor review of interim financial statements, Section 7050

Added sentence at the end of paragraph 7050.15 to indicate that the auditor would often communicate with the audit committee the planned nature and scope of the review at the same time as communicating the planned nature and scope of the audit of the financial statements.

Deleted paragraphs 7050.43-.47. Recommendation paragraphs 7050.44 and .46 formerly read as follows:

- .44 ♦ The entity's auditor should communicate to the audit committee significant weaknesses in internal control that the auditor identifies in performing the interim review. [OCT. 2001 *]
- .46 ♦ The entity's auditor should ensure that the audit committee is informed about:
 - (a) any significant misstatement, whether or not adjusted, of which the auditor becomes aware during the interim review; and
 - (b) any illegal or possibly illegal act of which the auditor becomes aware during the interim review, unless it is clearly inconsequential. [OCT. 2001 *]

Added new Recommendation paragraph 7050.43 to indicate that the auditor should communicate matters arising from the review with the audit committee. This Recommendation applies to an auditor's communication, in either oral or written form, made with respect to financial statements for periods ending on or after December 15, 2002.

Renumbered paragraphs 7050.48-.53 as 7050.44-.49.

Public accountant's review of financial statements, paragraph 8200.05

Added to provide guidance to the public accountant with respect to communicating with those having oversight responsibility for the financial reporting process.

PUBLIC SECTOR ASSURANCE RECOMMENDATIONS

Engaging and using specialists in value-for-money audits, Section PS 6430

Withdrawn. Replaced by new Section 5049.

ASSURANCE AND RELATED SERVICES GUIDELINES

Introduction to Assurance and Related Services Guidelines

Amended to remove indication that changes to Guidelines will be "reflected by the replacement of the relevant page or pages".

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

This Guideline has been superseded by Sections 5135 and 5751 for audits of financial statements for periods ending on or after December 15, 2002. To assist those performing audits of financial statements for periods ending before that date, AuG-11 will remain in the Handbook until September 2003.

Footnote 1 deleted because of change in scope of Section 5750.

Audit of actuarial liabilities of life insurance enterprises, AuG-15

Amended paragraph 46 and removed paragraph 47 to be consistent with new Section 5049 on the auditor's consideration of source data used by a specialist.

Audit of financial statements affected by environmental matters, AuG-19

Amended paragraphs 27 and 28 to be consistent with new Section 5049 on communication with the specialist.

Using a legal opinion as audit evidence concerning a transfer of receivables, AuG-28

Added a sentence to paragraph 1 to emphasize the importance of considering new Section 5049.

Amended paragraph 5 to be consistent with new Section 5049 on the circumstances in which the auditor needs to use a legal specialist.

Added to paragraph 6 a reference to confidentiality issues set out in new Section 5049.

Amended paragraph 10 to be consistent with new Section 5049 on obtaining reasonable assurance concerning a specialist's expertise, competence and integrity.

Amended paragraph 11 to refer to new Section 5049 on how the auditor obtains satisfaction about the legal expert's work and findings.

Audit of employee future benefits — defined benefit plans, AuG-29

Amended paragraph 18 to be consistent with new Section 5049 on obtaining reasonable assurance concerning a specialist's expertise, competence and integrity.

Amended paragraph 19 to refer the auditor to Section 5365 on communications with actuaries.

Amended paragraph 25 to be consistent with new Section 5049 on the auditor's consideration of source data used by a specialist.

Amended paragraphs 27 and 28 to remove the reference to Section 5360.

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