

## CICA handbook – assurance revisions release no. 27 April 2006

### ASSURANCE RECOMMENDATIONS

#### Authority of auditing and assurance standards and other guidance, Section 5021

Amended Appendix B to add two publications.

#### Standards for assurance engagements, paragraph 5025.38

Amended footnote 2 as a result of issue of new GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CICA PUBLIC SECTOR ACCOUNTING HANDBOOK Section PS 1150.

#### Generally accepted auditing standards, Section 5100

Amended reporting standard (iv) in paragraph 5100.02 to remove exception for federal, provincial and territorial governments as a result of change in scope of Section PS 5200, and add a sentence to explain wording of auditor's report when financial statements are prepared in accordance with the CICA Public Sector Accounting Handbook.

Former wording was as follows:

#### Reporting standards

(iv) *Where an opinion is expressed, it should indicate whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles, except when the financial statements:*

- *are prepared as described in AUDITOR'S REPORT ON FINANCIAL STATEMENTS PREPARED USING A BASIS OF ACCOUNTING OTHER THAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph 5600.09, or*
- *are financial statements of a federal, provincial, territorial or local government, and the auditor is required to express an opinion on the fair presentation of the financial statements in accordance with a disclosed basis of accounting, when the auditor would refer to AUDIT OF GOVERNMENT FINANCIAL STATEMENTS, Section PS 5200, for guidance.*

*The report should provide adequate explanation with respect to any reservation contained in such opinion. [OCT. 1, 2003 \*\*]*

Amended paragraph 5100.05 as a result of issue of new GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CICA PUBLIC SECTOR ACCOUNTING HANDBOOK Section PS 1150.

#### Terms of the engagement, Section 5110

Amended paragraph 5110.11 and Appendix as a result of change in scope of Section PS 5200.

Deleted paragraph 5110.16 as a result of withdrawal of Section 5610. Renumbered former paragraphs 5110.17-22 as 5110.16-21.

Amended Appendix to remove example relevant to instances when the auditor reports under Section 5610.

#### Understanding the entity and its environment and assessing the risks of material misstatement, paragraph 5141.024

Amended to provide guidance regarding the basis of accounting used to prepare general purpose financial statements, as a result of withdrawal of Section 5610.

#### The auditor's standard report, Section 5400

Amended paragraph 5400.02 as a result of change in scope of Section PS 5200.

Amended paragraph 5400.16 as a result of issue of new GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CICA PUBLIC SECTOR ACCOUNTING HANDBOOK Section PS 1150.

#### Auditor's report on financial statements prepared using a basis of accounting other than generally accepted accounting principles, paragraph 5600.07

Amended footnote 1 as a result of change in scope of Section PS 5200.

#### Foreign reporting, Section 5610

Withdrawn.

The following Recommendations formerly appeared in Section 5610:

- .12 ♦ An auditor should accept an engagement under this Section only after determining that the generally accepted accounting principles used in preparing the financial statements and the generally accepted auditing standards with which the audit is to be conducted are consistent with the intended purpose of the financial statements. [NOV. 1998]
- .13 ♦ The auditor should reach an understanding in writing with management as to the intended purpose of the financial statements. [NOV. 1998]
- .16 ♦ An auditor should accept an engagement under this Section only after determining that he or she has or will be able to obtain adequate knowledge of the generally accepted accounting principles and generally accepted auditing standards selected. [NOV. 1998]
- .19 ♦ The auditor should have adequate knowledge of the International Accounting Standards or foreign generally accepted accounting principles under which the financial statements are prepared, and the International Standards on Auditing or foreign generally accepted auditing standards with which the audit is to be conducted. [NOV. 1998]
- .20 ♦ To discharge his or her professional responsibilities, the auditor should conduct an engagement under this Section in accordance with the general and examination standards set out in GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100 of the CICA Handbook, and, when applicable, should perform any additional procedures to comply with the general and examination standards (or their equivalent) of the International Standards on Auditing or the foreign generally accepted auditing standards. [NOV. 1998]
- .23 ♦ When reporting in accordance with this Section, the auditor should identify in his or her report the generally accepted auditing standards with which the audit was conducted and the generally accepted accounting principles under which the financial statements were prepared. [NOV. 1998]
- .27 ♦ When, pursuant to this Section, an auditor reports to shareholders on more than one set of financial statements for the same financial period, the auditor's report should, in a paragraph after the opinion paragraph (or its equivalent):
  - (a) state that the other report(s) to shareholders has (have) been issued;
  - (b) indicate the date(s) of the report(s) (which would ordinarily be the same date); and
  - (c) identify any other generally accepted auditing standards with which the other audit(s) was (were) conducted and any other generally accepted accounting principles under which the other financial statements were prepared. [NOV. 1998]
- .29 ♦ When an auditor reports to shareholders on a Canadian entity's financial statements prepared in accordance with International Accounting Standards or foreign generally accepted accounting principles, but does not also report to shareholders on financial statements for the same financial period prepared in accordance with Canadian generally accepted accounting principles, the auditor's report should, except in the circumstances described in paragraph 5610.30, in a paragraph after the opinion paragraph:
  - (a) state that the financial statements are not prepared in accordance with Canadian generally accepted accounting principles, and further state, when not disclosed in the financial statements, that they will not, or may not, as appropriate, satisfy the reporting requirements of Canadian statutes and regulations; and
  - (b) refer to a reconciliation to Canadian generally accepted accounting principles contained in the financial statements or, if such reconciliation is not contained in the financial statements, include a statement that, because the financial statements have been prepared in accordance with International Accounting Standards or foreign generally accepted accounting principles, the financial position, results of operations and cash flows might be significantly different than if the financial statements had been prepared in accordance with Canadian generally accepted accounting principles. [NOV. 1998]
- .31 ♦ When the audit has been conducted in accordance with the general and examination standards of GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100 of the CICA Handbook, but not in accordance with International Standards on Auditing or foreign generally accepted auditing standards, the auditor's report should be prepared in accordance with the reporting standards set out in Section 5100 of the CICA Handbook. [NOV. 1998]
- .33 ♦ When the auditor reports to shareholders on a Canadian entity's financial statements in accordance with International Standards on Auditing or foreign generally accepted auditing standards, but does not also report to shareholders in accordance with Canadian generally accepted auditing standards, the auditor's report should include a paragraph after the opinion paragraph (or equivalent) stating that since the auditor's report is not prepared in accordance with Canadian generally accepted auditing standards, it is not intended to satisfy the reporting requirements of Canadian statutes and regulations. [NOV. 1998]
- .34 ♦ When the audit has been conducted in accordance with the general and examination standards (or their equivalent) of the International Standards on Auditing or the foreign generally accepted auditing standards, and the auditor issues a report prescribed by the International Standards on Auditing or the foreign generally accepted auditing standards, the auditor's report should be prepared in accordance with the reporting standards (or their equivalent) of the International Standards on Auditing or the foreign generally accepted auditing standards. [NOV. 1998]
- .38 ♦ When the auditor reports to shareholders on a Canadian entity's financial statements using a "combined GAAS" report which takes the form prescribed by the International Standards on Auditing or the foreign generally accepted auditing standards, but the auditor does not also report to shareholders in accordance with Canadian generally accepted auditing standards, the auditor's report should include a paragraph after the opinion paragraph (or equivalent) stating

*that since the auditor's report is not prepared in accordance with Canadian generally accepted auditing standards, it is not intended to satisfy the reporting requirements of Canadian statutes and regulations. [NOV. 1998]*

- .39 ♦ *When the audit has been conducted in accordance with the general and examination standards of GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100 of the CICA Handbook, and the general and examination standards (or their equivalent) of the International Standards on Auditing or the foreign generally accepted auditing standards, and the auditor issues a "combined GAAS" report, the report should be prepared in accordance with the reporting standards:*
- (a) *set out in the CICA Handbook, except that the scope paragraph should identify Canadian generally accepted auditing standards and either the International Standards on Auditing or the foreign generally accepted auditing standards; or*
  - (b) *prescribed by the International Standards on Auditing or the foreign generally accepted auditing standards, except that the scope paragraph or its equivalent should include identification of Canadian generally accepted auditing standards. [NOV. 1998]*
- .40 ♦ *When preparing a "combined GAAS" report in circumstances involving one or more significant differences in reporting standards, the auditor should explain the difference(s) in comments attached to but distinct from the auditor's report. The additional comments should:*
- (a) *be given a title which makes it clear that they are not part of the auditor's report;*
  - (b) *identify the report form used;*
  - (c) *indicate the nature of the difference(s) between the report form in which the report is prepared and the report form of the other generally accepted auditing standards identified in the report; and*
  - (d) *when appropriate provide a cross-reference to the relevant disclosures in the financial statements. [NOV. 1998]*

**Auditor assistance to underwriters and others, paragraph 7200.035**

Amended as a result of withdrawal of Section 5610 to remove reference to the auditor meeting the general and examination standards in GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100.

**Public accountant's review of financial statements, Section 8200**

Amended first two paragraphs of sample management representation letter in Appendix C to clarify the nature of a review engagement.

**Audit of local government financial statements, Section PS 5200 (formerly named AUDIT OF GOVERNMENT FINANCIAL STATEMENTS, Section PS 5200)**

Amended paragraph PS 5200.01 to limit scope of Section to local governments.

Amended paragraph PS 5200.04 as a result of revisions to reporting standard (iv) in paragraph 5100.02.

Amended first sentence in paragraphs PS 5200.05 and .08 to change reference to "government(s)" to "local government(s)".

**ASSURANCE AND RELATED SERVICES GUIDELINES**

**Introduction to Assurance and Related Services Guidelines**

Amended to add guidance on effective dates.

**Legislative auditor's report on financial statements of a federal, provincial or territorial government (AuG-45)**

Issued.

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