

## CICA handbook – assurance revisions release no. 23 July 2005

### ASSURANCE RECOMMENDATIONS

#### International Standards on Auditing, Section 5101

Withdrawn. In future, timely information comparing the International Standards on Auditing with Canadian auditing and assurance standards will be provided on the AASB website.

#### Terms of the engagement, Section 5110 [AUG. 2005]

New.

#### Audit evidence considerations when an entity uses a service organization, Section 5310 [JAN. 2006]

Revises and replaces AUDIT EVIDENCE CONSIDERATIONS WHEN AN ENTERPRISE USES A SERVICE ORGANIZATION, Section 5310.

The following Recommendations formerly appeared in Section 5310:

- .13 ♦ *Before using the report of a service auditor as audit evidence, the auditor should determine the reliability and relevance of the report.* [JULY 1987]
- .15 ♦ *When expressing an opinion without reservation, the auditor should not refer to the report of the service auditor.* [JULY 1987]
- .18 ♦ *If it is not possible for the auditor to obtain the audit evidence required, the auditor should express a reservation of opinion in the auditor's report* (see RESERVATIONS IN THE AUDITOR'S REPORT, Section 5510). [JULY 1987]

#### Management representations, Section 5370 [AUG. 2005]

New.

#### Communications with those having oversight responsibility for the financial reporting process, paragraph 5751.14

Amended to include new item (i) to conform to new Section 5370. Items (i)-(l) renumbered as (j)-(m).

#### Opinions on control procedures at a service organization, Section 5900

Withdrawn. Replaced by new Section 5970.

The following Recommendations formerly appeared in Section 5900:

- .05 ♦ *When engaged to express an opinion in accordance with this Section, a service auditor should comply with the general standard and examination standards (i) and (iii).* (See GENERALLY ACCEPTED AUDITING STANDARDS, Section 5100.) [JULY 1987 \*]
- .11 ♦ *The service auditor's report on control procedures should:*
  - (a) *in a scope paragraph:*
    - (i) *specifically identify the subject matter reported on and the nature of the examination; and*
    - (ii) *state that the examination was made in accordance with Canadian generally accepted auditing standards and accordingly included such tests and other procedures as were considered necessary in the circumstances;* [JULY 1987 \*\*]
  - (b) *in an opinion paragraph, except when reservations are required, express an opinion that the control procedures were suitably designed to provide reasonable, but not absolute, assurance that the stated internal control objectives of the system were achieved and that either the control procedures existed as at a point in time or the control procedures operated effectively throughout the period covered by the service auditor's report;* [JULY 1987 \*]
  - (c) *in a separate paragraph or paragraphs following the opinion paragraph, state:*
    - (i) *when the existence of control procedures was tested only as at a point in time, that an opinion cannot be expressed as to whether the control procedures existed at any other time;*
    - (ii) *the risk of projecting to the future:*
      - *the description of the stated internal control objectives and control procedures, and*
      - *any conclusions, based on the auditor's findings;*

- (iii) the fact that the potential effectiveness of control procedures at the service organization is subject to inherent limitations; and
- (iv) restrictions, if any, placed on its use. [JULY 2000 \*]
- .17 ◆ When there are matters that prevent the service auditor from expressing an opinion without reservation, the service auditor should be guided by the Recommendations in RESERVATIONS IN THE AUDITOR'S REPORT, Section 5510, except that the service auditor need not state the reasons for not quantifying the effects of matters giving rise to the reservation. [JULY 1987 \*]

**Auditor's report on controls at a service organization, Section 5970 [JAN. 2006 \*]**

New.

\* The Recommendations in this Section are effective for engagements covering periods commencing on or after January 1, 2006.

**Audit of related party transactions, paragraphs 6010.23 and 6010.24**

Amended footnote 3 to reflect new requirements in RELATED PARTY TRANSACTIONS, CICA HANDBOOK – ACCOUNTING Section 3840.

**Subsequent events, paragraphs 6550.04(f) and 6550.06**

Amended to conform to new Section 5370. Former wording of paragraph 6550.06 was as follows:

◆ *The auditor should perform review, enquiry and related procedures designed to determine whether events occurring in the subsequent period that may require adjustment to or disclosure in the financial statements have been identified. For items identified, the auditor should examine audit evidence to the extent necessary to determine whether they have been appropriately reflected in the financial statements. The period covered by the procedures should extend to the date of the auditor's report or as close to that date as is reasonable and practicable. [MAY 1984 \*]*

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

Added paragraphs 8200.02-.22 to provide guidance on establishing an understanding of, and agreement on, the terms of the engagement for a review of financial statements.

Renumbered paragraphs 8200.02-.03 as paragraphs 8200.23-.24.

Added paragraphs 8200.25-.41 to provide guidance on the use of management representations when gathering information regarding important matters to support the review engagement report, and on obtaining written representations from management.

Renumbered paragraphs 8200.04-.28 as paragraphs 8200.42-.66.

Added paragraph 8200.67 to include the written representations that the public accountant is required to obtain from management when performing a review of financial statements prepared using a basis of accounting other than generally accepted accounting principles.

Renumbered paragraphs 8200.29-.30 as paragraphs 8200.68-.69.

Amended Appendix A to provide an updated example of an engagement letter for review of annual financial statements.

Added Appendix C to provide an example of a representation letter that the public accountant may obtain from management when reviewing annual financial statements.

**ASSURANCE AND RELATED SERVICES GUIDELINE**

**Performance of a review of financial statements in accordance with Sections 8100 and 8200 (AuG-20)**

Amended paragraph 6 to reflect guidance in revised Section 8200.

Deleted items (a) and (h) under the heading "Documentation" in Example Questions to reflect guidance in revised Section 8200.

Deleted Appendix as a sample representation letter is now included in Appendix C to revised Section 8200.

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