

assurance and related services guideline

AuG-48

legislative requirements to report on the consistent application of accounting principles in the applicable financial reporting framework

This Guideline is to be read in conjunction with the [Preface to the CPA Canada Handbook – Assurance](#).

December 2010 *

SCOPE AND BACKGROUND

1. [CAS 700](#), *Forming an Opinion and Reporting on Financial Statements*, does not require a reference in the auditor's report:
 - (a) to the consistent application of the accounting principles in the applicable financial reporting framework; or
 - (b) to a change in accounting principles or in the method of application of a principle when the auditor is satisfied that the change is properly accounted for and adequately disclosed in the financial statements.
2. Some legislation, however, currently requires that the auditor's report state specifically whether generally accepted accounting principles have been applied on a basis consistent with that of the preceding period. When additional information and explanations are required by legislation, general guidance is provided in [CAS 700](#), *Forming an Opinion and Reporting on Financial Statements*.
3. Until the legislation is changed, this Guideline provides guidance on the application of [CAS 700](#), *Forming an Opinion and Reporting on Financial Statements*, in the particular situation when federal or provincial legislation (including regulations thereto) states that the auditor's report shall contain a statement whether the financial statements are prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. In the context of the Canadian Auditing Standards (CASs), the reference in legislation to "generally accepted accounting principles applied on a consistent basis" is considered to be a reference to the consistent application of accounting principles in the applicable financial reporting framework.

PRINCIPLES AND GUIDANCE

4. The following principles should guide auditors when the auditor's report is required to state whether generally accepted accounting principles have been applied on a basis consistent with that of the preceding year (other reporting responsibilities):
 - (a) The auditor's report should conform, to the extent possible, to the format and wording in [CAS 700](#), *Forming an Opinion and Reporting on Financial Statements*, in particular paragraphs [43](#) and [45](#).
 - (b) The other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under the CASs to report on the financial statements.
 - (c) The additional information and explanations included in the auditor's report should be expressed in such a manner that they will not be misinterpreted as a reservation of the auditor's opinion.
 - (d) There should be a measure of uniformity in the format and wording of audit reports.
5. The following guidance is consistent with the general principles in paragraph [4](#) and will assist the auditor in determining the format and wording of his or her report:
 - (a) Paragraph [45](#) of [CAS 700](#), *Forming an Opinion and Reporting on Financial Statements*, requires the headings, statements and explanations referred to in paragraphs [21](#)-[C40](#) of [CAS 700](#) to be under the subtitle "Report on the Financial Statements" if the auditor's report contains a separate section on other reporting responsibilities.
 - (b) Paragraph [43](#) of [CAS 700](#) requires other reporting responsibilities, such as those referred to in this Guideline, to be addressed in a separate section in the auditor's report subtitled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section.
 - (c) Paragraph [45](#) of [CAS 700](#) requires the "Report on Other Legal and Regulatory Requirements" to follow the "Report on the Financial Statements."
 - (d) The "Report on Other Legal and Regulatory Requirements" should make reference to the specific legislation.
 - (e) When there is a change in accounting principles in the applicable financial reporting framework, or the method of application of a principle, the "Report on Other Legal and Regulatory Requirements" should:
 - (i) refer to the change and to the note to the financial statements that explains the change and its effect on the financial statements; and
 - (ii) introduce the reference with the words "except for" unless the change is retroactively applied.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS IN THE AUDITOR'S STANDARD REPORT

6. When the auditor has determined that there is a need for a specific reference to consistency in the auditor's report and the accounting principles in the applicable financial reporting framework have been consistently applied, the following wording of the paragraph included in the "Report on Other Legal and Regulatory Requirements" is appropriate:
- As required by (specify the legislation or regulation), we report that, in our opinion, the accounting principles in (specify the applicable financial reporting framework) have been applied on a basis consistent with that of the preceding year.
7. When the auditor has determined that there is a need for a specific reference to consistency in the auditor's report and there is a change in accounting principles that has been applied retroactively, the following wording of the paragraph included in the "Report on Other Legal and Regulatory Requirements" is appropriate:
- As required by (specify the legislation or regulation), we report that, in our opinion, the accounting principles in (specify the applicable financial reporting framework) have been applied, after giving retroactive effect to the change (in the method of) as explained in Note to the financial statements, on a basis consistent with that of the preceding year.
8. When the auditor has determined that there is a need for a specific reference to consistency in the auditor's report and there is a change in accounting principles that has been applied prospectively, the following wording of the paragraph included in the "Report on Other Legal and Regulatory Requirements" is appropriate:
- As required by (specify the legislation or regulation), we report that, in our opinion, the accounting principles in (specify the applicable financial reporting framework) have been applied, except for the change (in the method of) as explained in Note to the financial statements, on a basis consistent with that of the preceding year.
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Footnotes

*. Effective for reports on audits of financial statements for periods ending on or after December 14, 2010.

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