

CPA Canada Handbook – Assurance

highlight summary no. 25

March 2019

[Preface to the CPA Canada Handbook – Assurance](#)

[Appendix 2](#) of the *Preface* has been revised to reflect a change to the effective date of paragraph [46](#) of CAS 700 dealing with disclosure of the engagement partner name in specific circumstances.

[Appendix 4](#) of the *Preface* has been amended to remove AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH DESIGNATED DOCUMENTS, Section 7500.

The revised *Preface* is effective as of March 1, 2019.

[CAS 540, Auditing Accounting Estimates and Related Disclosures](#)

This Canadian Auditing Standard (CAS) revises and replaces existing [CAS 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures](#). It incorporates changes to establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. Revised CAS 540:

- recognizes explicitly the spectrum of inherent risk and introduces the concept of inherent risk factors, including estimation uncertainty, complexity, subjectivity and others;
- enhances risk assessment procedures related to obtaining an understanding of the entity and its environment, including the entity's internal control;
- introduces a separate assessment of inherent risk and control risk for accounting estimates;
- introduces objectives-based work-effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions, to design and perform further audit procedures to respond to assessed risks of material misstatement;
- enhances the "stand-back" requirement by adding an evaluation of the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence;
- enhances requirements to obtain audit evidence about whether the related disclosures are "reasonable"; and
- includes a requirement to consider matters regarding accounting estimates when communicating with those charged with governance.

Revised [CAS 540](#) is effective for audits of financial statements for periods beginning on or after December 15, 2019. Earlier application is permitted.

As a result of issuing revised [CAS 540](#), requirements in the following standards have been amended to articulate more clearly the auditor's responsibilities regarding auditing accounting estimates and related disclosures:

- CAS 500, *Audit Evidence*, paragraph [7](#);
- CAS 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph [13](#); and
- CAS 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph [9](#).

Editorial changes have been made to other standards as a consequence of revising [CAS 540](#).

[CAS 700, Forming an Opinion and Reporting on Financial Statements](#)

The effective date of paragraph [46](#) was revised so that the requirement for the auditor to disclose the engagement partner name does not apply to audits of financial statements for periods ending before December 15, 2019 of entities whose engagement partner name appears on Form AP, *Auditor Reporting of Certain Audit Participants*, to be filed with the U.S. Public Company Accounting Oversight Board for that engagement.

[CSOA 5000, Use of the Practitioner's Communication or Name](#)

To reflect the scope of revised AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT IN CONNECTION WITH A DESIGNATED DOCUMENT, Section 7170, paragraph [A2](#) has been amended to:

- replace the reference to a business acquisition report with a reference to a designated document; and
- remove the sentence dealing with providing consent under Section 7500.

Section [7170, Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document](#)

Section [7170](#) replaces:

- AUDITOR'S CONSENT TO THE USE OF THE AUDITOR'S REPORT INCLUDED IN A BUSINESS ACQUISITION REPORT, Section [7170](#); and

- Section 7500.

The revised Section [7170](#) deals with an auditor's responsibilities in responding to requests to consent to the use of the auditor's report in connection with a designated document.

Section [7170](#) is effective for an auditor's consent issued on or after June 1, 2019.

Consequential amendments were made to [Appendix 2](#) of AUDITOR'S CONSENT TO THE USE OF A REPORT OF THE AUDITOR INCLUDED IN AN OFFERING DOCUMENT, Section 7150, to reflect management's responsibilities in the illustrative engagement letter.

[Archived Pronouncements](#)

To give Handbook users continued access to superseded CASs and Sections until such time as they are no longer applicable, supplements in Archived Pronouncements set out the wording of those CASs and Sections. The archived material will be withdrawn from the Handbook when it is no longer effective.

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