

CPA Canada handbook – assurance highlight summary no. 35 May 2021

Preface to the CPA Canada Handbook – Assurance

[Appendix 2](#) of the *Preface* has been revised to highlight that the effective date of Canadian Standard on Quality Management ([CSQM 1](#) and [CSQM 2](#)) differ from that in corresponding International Standards on Quality Management.

The revised Preface is effective as of May 1, 2021.

[CSQM 1](#), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

This CSQM revises and replaces existing Canadian Standard on Quality Control ([CSQC 1](#), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*). It incorporates a risk-based approach that firms are required to follow in designing, implementing and operating a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements that is scalable to the nature and circumstances of the firm and the engagements it performs.

[CSQM 1](#) sets out requirements relating to:

- the system of quality management;
- the firm's risk assessment process;
- governance and leadership;
- relevant ethical requirements;
- acceptance and continuance of client relationships and specific engagements;
- engagement performance;
- resources;
- information and communication;
- specified responses;
- the monitoring and remediation process;
- network requirements or network services;
- evaluating the system of quality management; and
- documentation.

[CSQM 1](#) is effective as follows:

- Systems of quality management in compliance with CSQM 1 for audits or reviews of financial statements or other assurance engagements are required to be designed and implemented by December 15, 2022, and the evaluation of the system of quality management required by paragraphs [53-54](#) of CSQM 1 is required to be performed within one year following December 15, 2022.
- Systems of quality management in compliance with CSQM 1 for related services engagements are required to be designed and implemented by December 15, 2023, and the evaluation of the system of quality management required by paragraphs [53-54](#) of CSQM 1 is required to be performed within one year following December 15, 2023.

As a result of issuing [CSQM 1](#), a requirement in paragraph [8](#) of Canadian Auditing Standard (CAS) 620, *Using the Work of an Auditor's Expert*, has been amended to reflect the change to the firm's system of quality management set out in CSQM 1.

Editorial changes have been made to other standards as a consequence of issuing [CSQM 1](#).

[CSQM 2](#), Engagement Quality Reviews

New standard [CSQM 2](#) replaces material previously addressed in [CSQC 1](#).

[CSQM 2](#) sets out requirements relating to the:

- appointment and eligibility of the engagement quality reviewer; and
- engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

[CSQM 2](#) is effective for:

- audits and reviews of financial statements for periods beginning on or after December 15, 2022;

- other assurance engagements beginning on or after December 15, 2022; and
- related services engagements beginning on or after December 15, 2023.

Editorial changes have been made to other standards as a consequence of issuing [CSQM 2](#).

[CAS 220](#), Quality Management for an Audit of Financial Statements

This CAS revises and replaces existing [CAS 220, Quality Control for an Audit of Financial Statements](#). It deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner.

[CAS 220](#) sets out requirements relating to:

- leadership responsibilities for managing and achieving quality on audits;
- relevant ethical requirements, including those related to independence;
- acceptance and continuance of client relationships and audit engagements;
- engagement resources;
- engagement performance;
- monitoring and remediation;
- taking overall responsibility for managing and achieving quality; and
- documentation.

It is effective for audits of financial statements for periods beginning on or after December 15, 2022.

As a result of issuing [CAS 220](#), requirements in the following standards have been amended to articulate more clearly the auditor's responsibilities relating to managing and achieving quality on an audit of financial statements:

- [CAS 300, Planning an Audit of Financial Statements](#), paragraphs [6](#), [8](#), [9](#), [11](#) and [12](#); and
- [CAS 610, Using the Work of Internal Auditors](#), paragraph [34](#).

Editorial changes have been made to other standards as a consequence of issuing [CAS 220](#).

Archived Pronouncements

To give Handbook users continued access to the superseded [CSQC 1](#), [CAS 220](#) and paragraphs in other CAs until such time as they are no longer applicable, supplements in Archived Pronouncements set out the wording of CSQC 1, CAS 220 and paragraphs in other CAs. The archived material will be withdrawn from the Handbook when it is no longer effective.

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