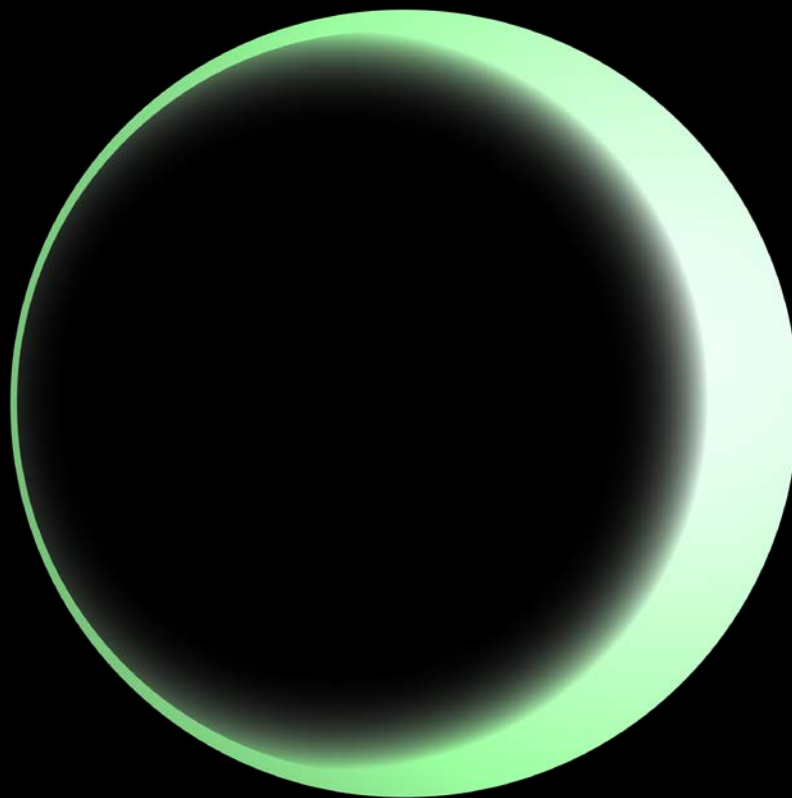


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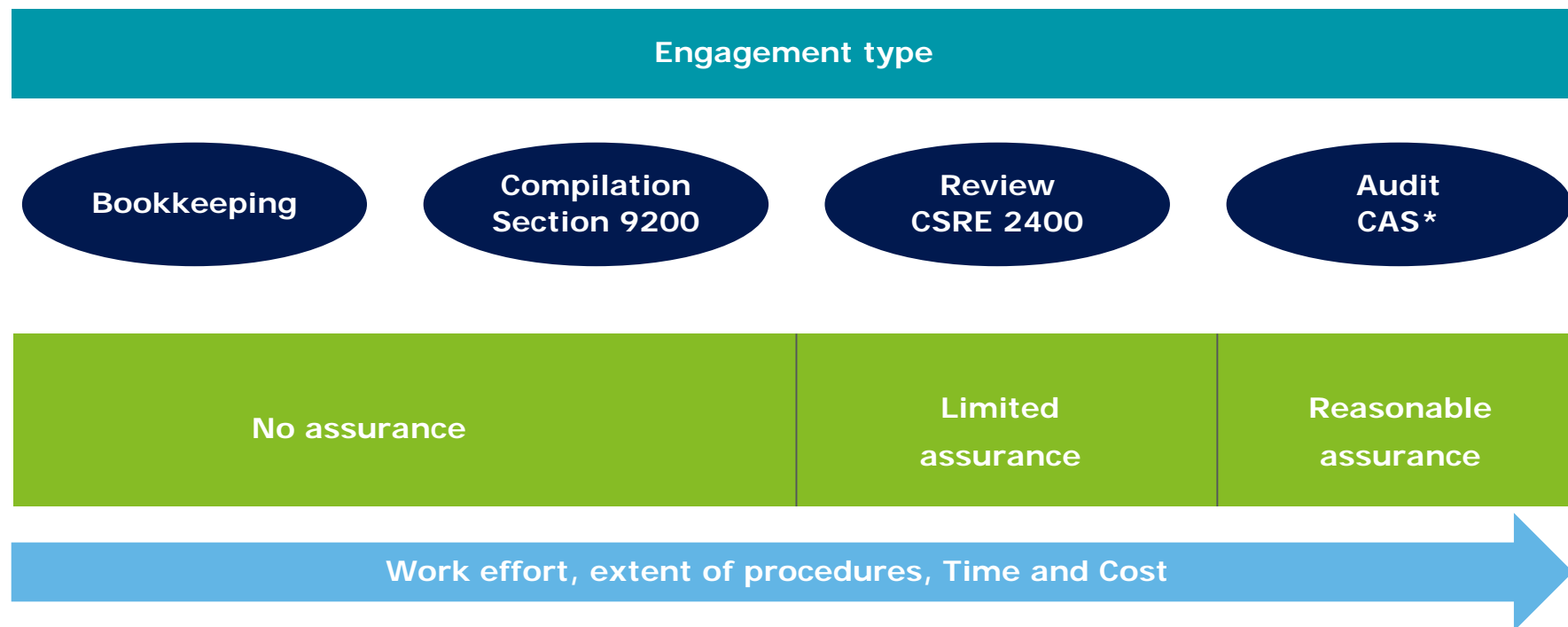


**Accounting & assurance update
for private companies**

December 11, 2017

Assurance updates

What are the differences between bookkeeping, compilation, review and audit engagements?



* Canadian auditing standards

Bookkeeping

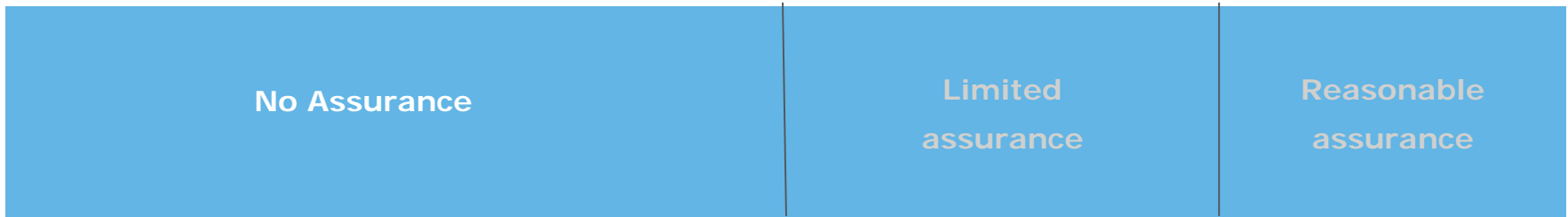
Intended use:

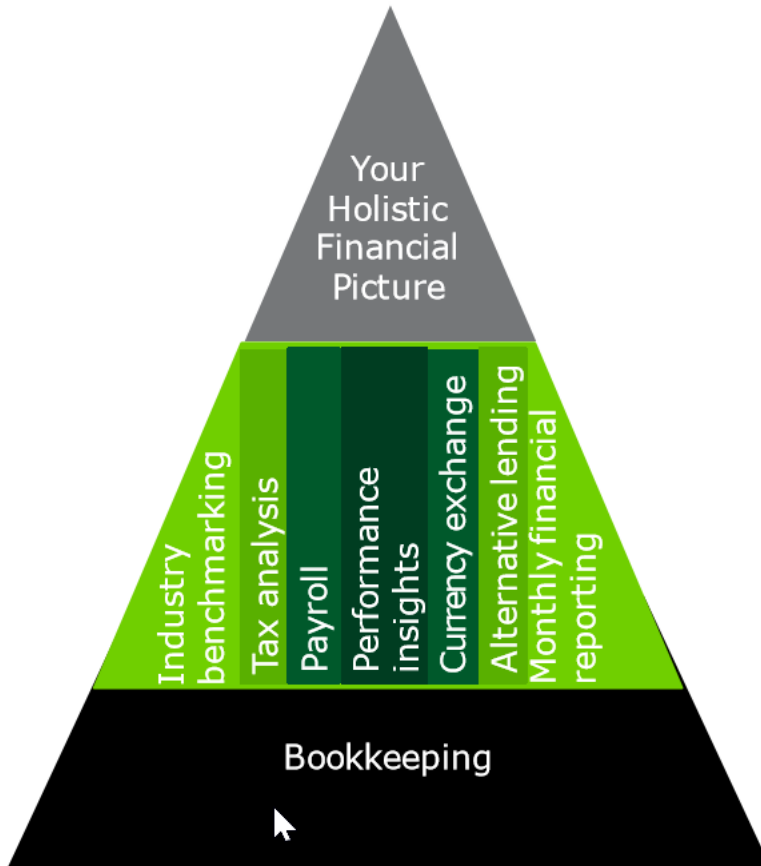
- Tracking the financial transactions of the entity.
- Provides the basis for which financial statements can be prepared.

Nature of engagement and procedures:

- Recording and maintaining day-to-day financial transactions on behalf of a client, including preparation of reconciliations and posting of journal entries.

Form of report: None





ctrl by Deloitte
bookkeeping



Bank accounts

Your bank account and cloud-accounting solution are linked to enable reconciliation of your accounts.



Bank reconciliations

Bank accounts are reconciled and queries delivered through our ctrl platform in an easy-to-answer design.



Invoice processing

Your supplier invoices are processed and ready for payment.



Transaction processing

Deposits, payments, and journal entries are processed and accounts are kept up-to-date.

Compilation – Section 9200

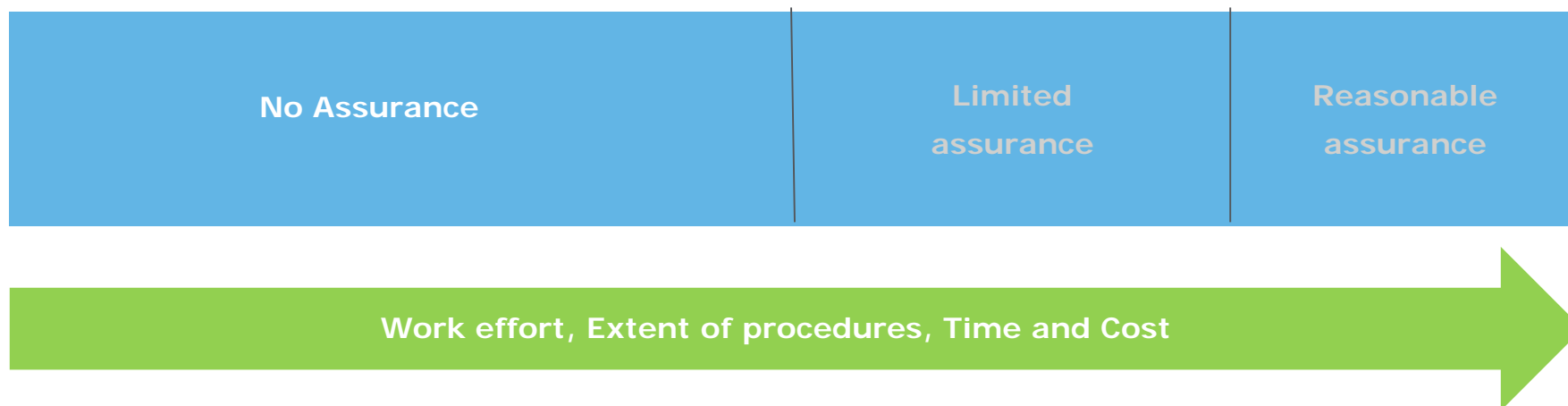
Intended use:

- Assisting management in presenting financial information in the form of financial statements.

Nature of engagement and procedures:

- a) Gaining a general understanding of the business, accounting principles used and financial reporting system and
- b) Presenting financial information in the form of financial statements, with no requirement to follow an applicable financial reporting framework.

Form of report: Notice to reader report (No expression of assurance)



Compilation – Section 9200 (cont'd)

Other developments:

- AASB Project to revise standards on Compilation Engagements.
- Expected release: 2020



Review – CSRE 2400



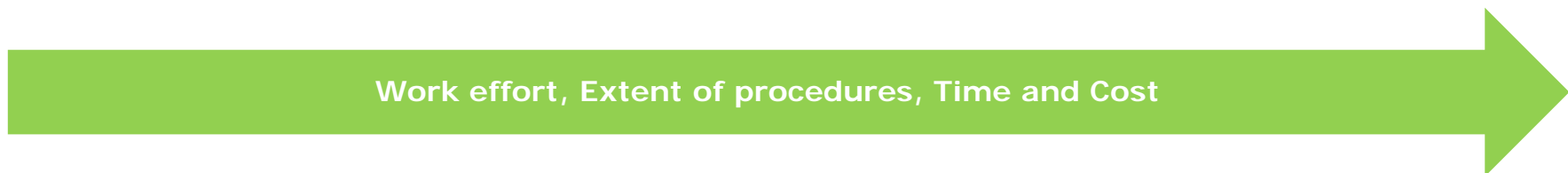
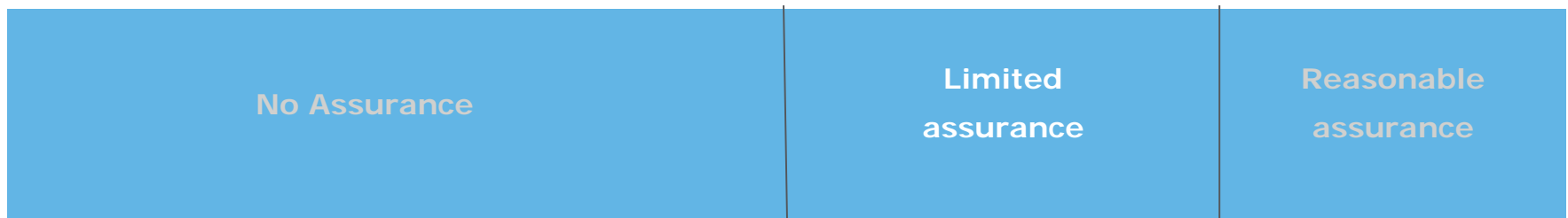
Intended use:

- Providing users of the financial statement with limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting framework.

Nature of engagement and procedures:

- Procedures to address all material items in the financial statements
- Primarily inquiry and analytical procedures.

Form of report: Review engagement report (Limited Assurance)



Audit – Canadian auditing standards

Intended use:

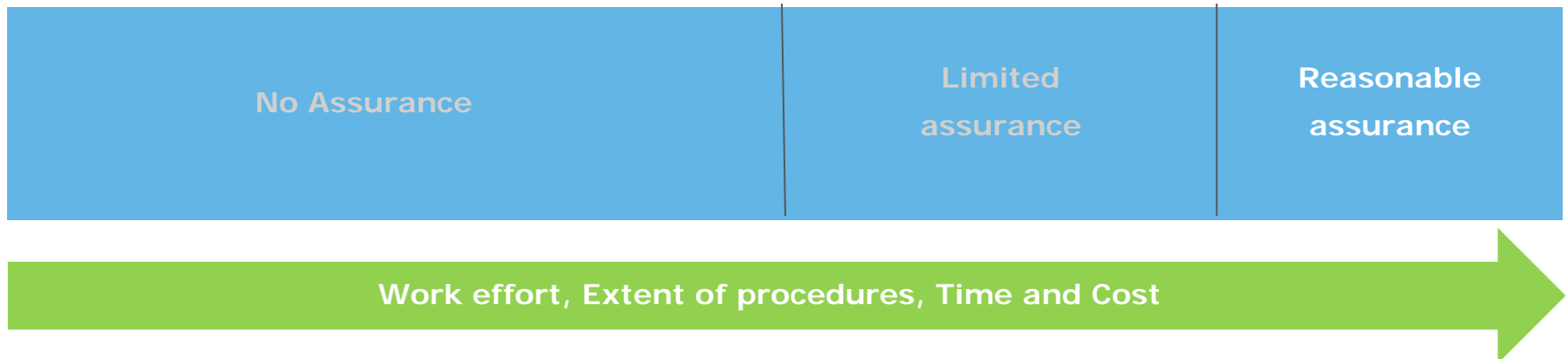
- Provides financial statement users with an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Nature of engagement and procedures:

- Identify and assess risks of material misstatement due to fraud or error
- Obtain sufficient appropriate audit evidence about whether material misstatements exist

Form of report: Auditor's Report (Reasonable assurance)

*******New auditor reporting standards*******



Canadian standard on review engagements ("CSRE") 2400 – Engagements to review historical financial statements

Does CSRE 2400 impact you?

Effective for periods ending on or after December 14, 2017

CSRE
2400

Effective for reviews of:

- Annual or interim historical financial statements; * and
- Other historical financial information.

* **Note:** Reviews of interim financial statements conducted by an entity's auditor to meet the requirements of securities legislation are within the scope of *CPA Canada Handbook – Assurance – Section 7060, Auditor Review of Interim Financial Statements*

How will CSRE 2400 impact you?

Accepting	Confirmation of Change to MSA based on CSRE 2400
Planning	Early and more robust discussions to: <ul style="list-style-type: none">• Obtain greater depth and breadth of understanding• Identify material items and areas where material misstatements are likely to arise
Performing	<ul style="list-style-type: none">• Inquiry and analytical procedures focused on areas of misstatement• Additional procedures for areas where we are not able to obtain sufficient evidence• Procedures to address specific matters such as: related party transactions, fraud, non-compliance with laws and regulations, going concern, use of work performed by others
Concluding	<ul style="list-style-type: none">• Greater emphasis on timely communications with management and TCWG• Communication of all misstatements to management and requesting management to correct them• Written representation from management about whether they believe the effects of uncorrected misstatements are material
Reporting	New Review Engagement Report

New review engagement report

The CSRE 2400 review engagement report reflects a format similar to the Independent Auditor's Report:



INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company that comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

[Practitioner's signature]

[Date of the practitioner's report]

[Practitioner's address]

New – Modifications to review engagement report

Modified conclusion

A **modified** conclusion is expressed when one of the two circumstances exist:

- When financial statements are materially misstated, and/or
- When there is an inability to obtain sufficient appropriate evidence.

Nature of Matter

Pervasiveness of Effects on Financial Statements

Material and NOT Pervasive

Material AND Pervasive

Financial statements are materially misstated

Qualified conclusion

Adverse Conclusion

Inability to obtain sufficient appropriate audit evidence

Qualified conclusion

Disclaimer of Conclusion

Emphasis of Matter Paragraph

To draw attention to a matter in the financial statements or disclosures, such as going concern.

Other Matter Paragraph

To draw attention to a matter pertaining to the review, such as when the prior period financial statements have been reviewed by a predecessor accountant

In summary..

1

CSRE 2400 provides a more robust and comprehensive standard

2

Greater effort will be required in performing a review in accordance with CSRE 2400

3

Given the heightened efforts, there will likely an impact to fees

Resources

Ctrl by Deloitte

Go to our [website](#)

Deloitte Centre for financial Reporting

[New standard issued by the Auditing and Assurance Standards Board of CPA Canada: CSRE 2400, New review engagement standard](#)

[CSRE 2400: The new Review Engagement Standard – Are you ready?](#)

[CSRE 2400, Engagements to Review Historical Financial Statements](#)

CPA Canada

[Guide to Review Engagements](#)

[Review engagement practitioner client briefing](#)

[Audit and assurance alert: Engagements to review historical financial statements \(CSRE 2400\)](#)

[Audit and assurance alert: Comparison between CSRE 2400 and the 8000 series](#)

CAS – New and revised auditor reporting standards

Clear, transparent reporting
The new auditor's report

Final Canadian Auditing Standards (CAS) on auditor reporting issued

- In April 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised auditor reporting standards effective for **audits of financial statements for periods ending on or after December 15, 2018**
- The most significant changes made relate to the following four standards:
 - ***Revised CAS 700, Forming an Opinion and Reporting on Financial Statements***
 - ***New CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report***
 - ***Revised CAS 720, The Auditor's Responsibilities Relating to Other Information***
 - ***Revised CAS 570, Going Concern***
- These CASs are based on the new and revised International Standards on Auditing (ISAs) however, **there are two significant differences** from the International Auditing and Assurance Standards Board's (IAASB) published standards – the effective date and applicability of Key Audit Matters (KAM)
 - KAM are communicated in the auditor's report only when required by law or regulation or the auditor decides to do so (NOT required for listed entities)
 - Stay abreast of potential changes related to KAM reporting

....*"better describes what an audit is and what an audit does"*... **Darrell Jensen, AASB Chair**

Key changes to the CAS auditor's report

Opinion first



- Opinion section required to be presented first, followed by the Basis for Opinion section

Going concern (if applicable)



- Separate section under the heading "Material Uncertainty Relating to Going Concern" when a disclosed material uncertainty exists
- Description of the responsibilities of management and auditor for going concern
- Need to challenge adequacy of disclosures for "close calls"

Independence



- An explicit statement of the auditor's independence in accordance with relevant ethical responsibilities and the auditor's fulfillment of other ethical responsibilities

Roles and responsibilities



- Enhanced description of the responsibilities of the auditor and key features of an audit
- Identification of management/TCWG and their responsibility for the oversight of the financial reporting process

Other information



- Explains management's responsibility for the other information
- Identifies the other information obtained or expected to be obtained
- Explains the auditor's responsibilities and work effort in relation to other information
- Either there is nothing to report or there is a statement describing any uncorrected material misstatements

Key changes to the CAS auditor's report (cont'd)

Key Audit Matters *(if applicable)*



- New section to communicate key audit matters

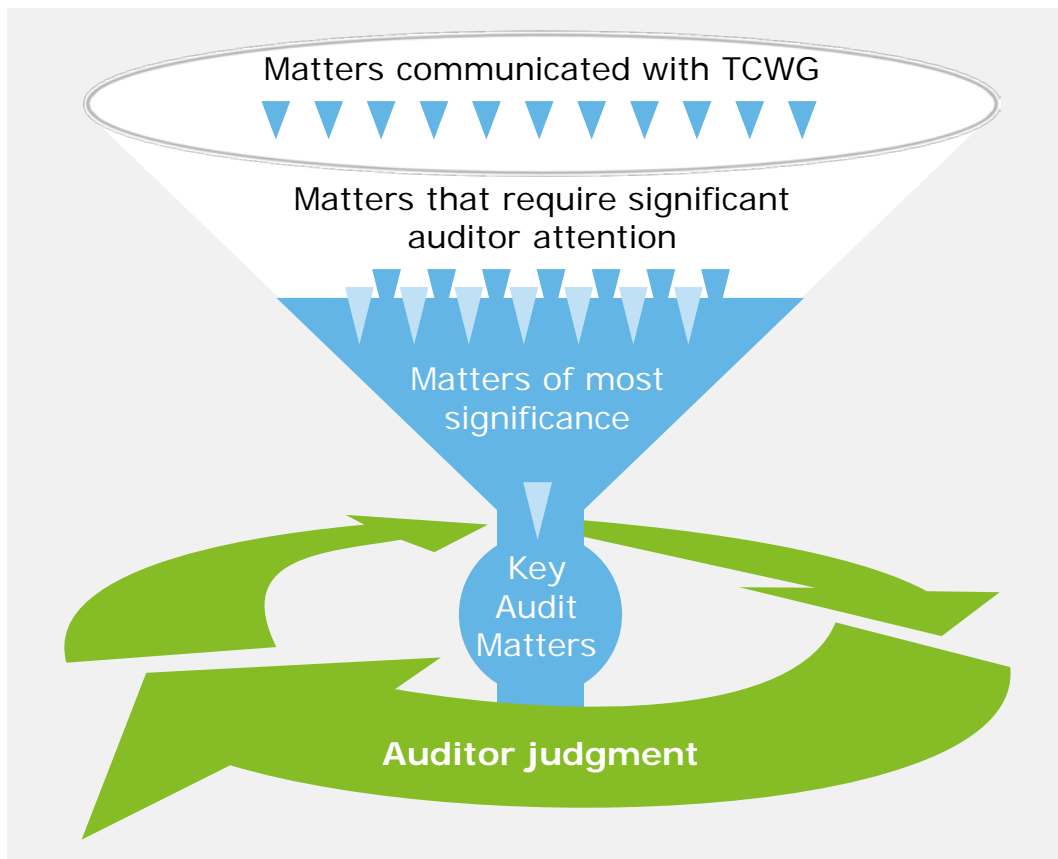
Name of partner *(listed entities only)*



- Disclosure of the name of the engagement partner

The process for identifying KAMs

Key Audit Matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the entity's financial statements of the current period.



Consider

- Significant risks areas most susceptible to misstatements
- Areas that involve significant management judgment, including accounting estimates
- Significant events or transactions during the year

Questions to start thinking about....

Going concern

- What is management's process for evaluating going concern?
- Does management have supporting documentation in place to support their going concern assessment?
- Do the disclosures in the financial statements include all information relevant to users, particularly for "close call" situations?

Other information

- Have you considered what would constitute "other information" ?
- When will the "other information" be available to the auditor?
- Is the "other information" consistent with the financial statements?

Key Audit Matters (if applicable)

- What matters could potentially be KAMs?
- Are robust discussions being held between auditors and TCWG about areas in the audit where there are identified significant risks or areas where the auditor allocates significant time and effort?
- Do the disclosures include all information relevant to users and will the disclosures support the auditor's description of the KAMs?
- Are TCWG satisfied with how management is currently addressing and disclosing these matters?
- How will management and TCWG engage with the auditor as KAMs are identified and the auditor's description of the KAMs are developed and finalized?
- How will the timing of auditor communications with management and TCWG accommodate the discussion of KAMs?



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