

Audit & Assurance Alert

CANADIAN AUDITING STANDARDS

APRIL 2019

Exposure Draft on Communication of Key Audit Matters in the Auditor's Report – Comments due May 15, 2019

The purpose of this Audit & Assurance Alert is to raise awareness of the recent Exposure Draft issued by the Auditing and Assurance Standards Board (AASB) in January 2019, highlighting proposed revisions to CAS 700, *Forming an Opinion and Reporting on Financial Statements*, relating to the communication of key audit matters (KAM) in the auditor's report.

Why should I read the Exposure Draft?

The Exposure Draft proposes to expand the requirements for auditors to communicate KAM for audits of complete sets of general purpose financial statements to:

- all entities listed on the Toronto Stock Exchange - Venture Exchange (TSXV), Aequis NEO Exchange (NEO) and Canadian Securities Exchange (CSE); and
- all entities required to comply with National Instrument 81-106, *Investment Fund Continuous Disclosure*.

The Exposure Draft provides an opportunity for all stakeholders, such as regulatory bodies, stock exchanges, preparers, directors, auditors and users of the auditor's report to influence the revisions to CAS 700 by commenting on or participating in consultations with the AASB. The AASB carefully reviews comments and considers feedback provided in consultations before making changes, if any, when finalizing the standard.

What is the deadline for providing comments?

Feedback on the revisions to CAS 700 must be provided to the AASB by **May 15, 2019**.

What is included in the Exposure Draft and where can it be found?

The Exposure Draft consists of:

- a background of auditor reporting standards issued by the International Auditing and Assurance Standards Board (IAASB) and Public Company Accounting Oversight Board (PCAOB);
- proposals to expand KAM requirements to listed entities other than those listed on the TSX, and entities required to comply with NI 81-106;
- key public interest considerations in expanding KAM requirements;
- matters the AASB considered in addressing the public interest considerations and its conclusions; and
- the proposed effective date.

The Exposure Draft, including a list of questions, can be found [here](#).

What are the proposed changes to key audit matter reporting in Canada?

The Exposure Draft proposes to expand the communication of key audit matter reporting to listed entities other than those listed on the TSX, and entities required to comply with NI 81-106.

Revisions to the auditor reporting standards in December 2018

In October 2018, the AASB approved revisions to the CASs to require communication of KAM for audits of TSX-listed entities, other than those required to comply with NI 81-106, for financial statement periods ending on or after December 15, 2020. An update to the CPA Canada Handbook – Assurance was issued in December 2018.

Future proposed revisions to the auditor reporting standards

To eliminate unnecessary delay, create consistency in auditor reporting and lessen the confusion amongst users, the AASB is proposing to expand the requirements for auditors to communicate KAM for audits of complete sets of general purpose financial statements to:

- all entities listed on the TSXV, NEO and CSE; and
- all entities required to comply with NI 81-106.

The AASB is proposing a staged implementation as follows:

Type of entity	Effective for audits of financial statements for financial statement periods ending on or after
As required by CAS revisions to Handbook in December 2018	
TSX-listed entities other than those required to comply with NI 81-106	December 15, 2020
Selon les propositions de l'exposé-sondage	
Entities required to comply with NI 81-106 (both listed and unlisted investment funds)	
Entities listed on exchanges other than the TSX (Aequitas NEO Exchange, Canadian Securities Exchange and TSX Venture Exchange)	December 15, 2021

Other Resources

- 1) FRAS Canada website: [Auditor Reporting – Key Audit Matter Reporting and Other Considerations Project Page](#)
- 2) Audit and Assurance Blog: [Proposed expansion of communication of key audit matters in the auditor's report](#)

Comments

Comments on this Audit & Assurance Alert, or suggestions for future Alerts should be sent to:

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