

Publisher's Note

2021 — Release 1

Previous release was 2020-2

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S. Mann

Guide to Review and Compilation Engagements

The main purpose of this release is to update the publication for the new standard on compilation engagements. Of course, as we work to improve the guidance, other revisions have been incorporated as identified below.

COVID-19 continues to impact the business and economic environment. Practitioners and preparers of financial statements need to consider the potential impacts for each entity.

Some significant revisions to ASPE were effective for fiscal periods beginning on or after January 1, 2021, including:

- Retractable or mandatorily redeemable shares issued in a tax planning arrangement (Section 3856)
- Related party financial instruments (Section 3856)

Minor revisions effective January 1, 2021 included revisions to Section 3051 – Investments (application of the cost method to interests in jointly controlled enterprises) and Section 3465 – Income Taxes (removed illustrative example on eligible capital property, requires all future tax assets and liabilities to be presented as non-current and incorporates additional disclosure requirements for future tax assets and liabilities).

Significant Revisions

Compilation Engagements

There are significant revisions to the contents of this publication due to the issuance of the Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, in February 2020. CSRS 4200 replaces the guidance contained in Section 9200, *Compilation Engagements*, and AuG-5, for periods ending on or after December 14, 2021.

While the new standard had been issued in 2020, the revised guidance is effective as of December 2021, and this edition of the Guide has been updated to reflect the requirements of CSRS 4200. If you have compilation engagements for periods ending before December 14, 2021 that have not yet been completed, you may wish to retain the previous pages until you have done so.

CSRS 4200 contains more requirements than Section 9200. The main impacts on compilation engagements are expected to be the requirements to:

- Ask management to identify third- party users
- Confirm the basis of accounting with management, which must be disclosed in a note to the financial information

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- Document an understanding of the business and accounting systems
- Obtain management's acknowledgement that it takes responsibility for the final version of the financial information
- Issue a report setting out both management's and the practitioner's responsibilities. (The current Notice to Reader is considered a communication, not a report).

Other significant changes to the requirements, which were already best practices for most practitioners include:

- Documenting client acceptance/retention considerations
- Obtaining an engagement letter

Quality Management Standards

In May 2021, the AASB issued Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements*, and CSQM 2, *Engagement Quality Reviews*. CSQM 1 is replacing Canadian Standard on Quality Control (CSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*. This will impact all engagements performed under the *CPA Canada Handbook – Assurance*.

While CSQC 1 is considered best practices for compilation engagements, it does not apply to compilations and related services engagements. CSQM 1 and CSQM 2 will apply to related services engagements, including compilations. CSQM 1 is effective for related services engagements as of December 15, 2023. It is effective for audits and reviews effective December 15, 2022. CSQM 1 has been referenced in this publication. However, given the timing of the issuance of the new standards on quality management, detail in respect of CSQM 1 will be included in the next update to this publication. Given that CSQM 2 applies to Engagement Quality Reviews, it is not expected to have a significant impact on either review or compilation engagements.

Practitioners that perform audit and review engagements will already have a quality assurance manual, based on the guidance in CSQC 1. This manual will need to be revised to meet the requirements of CSQM 1. Many practitioners performing only compilation and other related services engagements do not have a quality assurance manual as they were not required to do so under CSQC 1. These practitioners will be required to develop a quality management manual to meet the requirements of CSQM 1.

Withdrawal of CPA Canada Handbook — Part V

Part V of the *CPA Canada Handbook – Accounting* was withdrawn in March 2020. Section 4250, "Future Oriented Financial Information", was retained as a separate section in *CPA Canada Standards and Guidance Collection*. The section is listed separately in the official version of the Handbook, below Parts I, II, III and IV. This has impacted the references in Chapter 15 of this publication.

Summary by Chapter

The updates for Chapters 5, 6, 7, 14, 15, 16 and 17, and Appendix D resulting from the issuance of CSRE 2400 and the CPA Code of Professional Conduct are included in this release.

Chapter 1 — has been updated to reflect the guidance contained in CSRS 4200 and, other updated references to the *CPA Canada Handbook*, including the quality management standards, references to other available publications and new developments.

Chapters 2 and 3 — updates are minor in nature, to reflect minor improvements and corrected references, as these chapters had been rewritten in 2020 to reflect the guidance in CSRE 2400.

Chapter 4 — the sample review engagement file was updated as part of Release 2020-2. In this release, the file was updated to incorporate procedures specific to management estimates and CSRE 2400.47. The ordering of the file was also updated to reflect the ordering in the working paper index.

Chapter 5 — minor updates were made to reflect the guidance in CSRS 4200.

Chapter 8 — changes to references to reflect the withdrawal of CPA Canada Handbook – Accounting, Part V.

Chapter 9 — revision to guidance given the revisions to ASPE 3856, "Financial Instruments", to include related party transactions involving financial instruments within its scope.