

STANDARDS FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OF FINANCIAL STATEMENTS AND OTHER HISTORICAL FINANCIAL INFORMATION: SECTION 5025

Definitions and Underlying Concepts

- This section is **not applicable for audits of F/S and other historical financial information**
- This section establish a framework for **assurance engagements**, other than audits of financial statements and other historical financial information
- These standards can apply to :
 - Engagements designed to provide a **high (i.e., audit) level of assurance**; or
 - Engagements designed to provide a **moderate (i.e., review) level of assurance**
- **Assurance Engagement** = an engagement (other than an audit of financial statements or other historical financial information) where, pursuant to an **accountability relationship** between two or more parties, a practitioner is engaged to issue a **written communication** expressing a conclusion concerning a **subject matter** for which the accountable party is responsible
- An **accountability relationship** is a prerequisite for an assurance engagement
- An **accountability relationship** exists when one party (the accountable party) is responsible to another party (the user) for a subject matter
- The practitioner's communication will vary depending on whether the assurance engagement is an attest engagement or a direct reporting engagement
 - In an **attest engagement** the practitioner's conclusion will be on a written assertion prepared by the accountable party
 - In a **direct reporting engagement**, the practitioner's conclusion will evaluate directly, using suitable criteria, the subject matter for which the accountable party is responsible
- Both attest engagements and direct reporting engagements can be completed with either a high or a moderate level of assurance
- The level of assurance appropriate for a particular engagement will depend on the needs of users

General Standards

- Practitioner should have a reasonable basis for believing the engagement can be completed in accordance with the standards in this Section
- The practitioner should be satisfied that the subject matter is or will be within the **collective professional expertise of** the practitioner and other persons performing the assurance engagement
- An **accountability relationship** is a **prerequisite** to an assurance engagement
- Seek management's acknowledgment of responsibility for the subject matter; if the practitioner does not obtain management's acknowledgment, the practitioner should:
 - (a) Obtain other evidence that an accountability relationship exists, i.e. Reference to legislation or a regulation;
 - (b) Consider how the lack of management's acknowledgment might affect his or her work and conclusion; and
 - (c) Disclose in his or her report that acknowledgment of responsibility has not been obtained
- If other sources of evidence that an accountability relationship exists cannot be obtained, an assurance engagement cannot be performed
- The assurance engagement should be performed with **due care** and with an **objective state of mind**

- The practitioner and any other persons performing the assurance engagement should have **adequate proficiency** in such engagements
- The practitioner and any other persons performing the assurance engagement should collectively possess **adequate knowledge of the subject matter**
- The practitioner should **identify or develop criteria** that are suitable for evaluating the subject matter
 - I.e., in an environmental performance audit, one set of criteria may be water emission standards established by law
 - The characteristics and the source of criteria affect their suitability
 1. **Relevance** = findings and conclusions that meet the objective of the engagement
 2. **Reliability** = result in consistent conclusions when used by different practitioners in similar circumstances
 3. **Neutrality** = free from bias
 4. **Understandability** = clearly stated and are not subject to significantly different interpretations by intended users
 5. **Completeness** = all criteria that could affect the practitioner's conclusion are identified or developed, and used
- Possible sources of criteria
 - (a) CICA Handbook
 - (b) Criteria established by other recognized bodies of experts that follow due process procedures including public consultation and debate
 - (c) Criteria established by laws and regulations.
 - (d) Criteria established by organizations that do not follow due process procedures including public consultation and debate.
 - (e) Criteria developed specifically for the engagement
- **(a), (b) and (c)** are considered **generally accepted criteria**
- When generally accepted criteria consistent with the objective of the engagement exist, the practitioner should use them in forming his or her conclusion except when the users of the practitioner's report are an **identifiable limited group of users** and he or she is satisfied such users agree their needs are met by using **criteria other than generally accepted criteria**
- Use **(d) or (e)** when no generally accepted criteria consistent with the objective of the engagement exists; in addition, **assess the suitability of these criteria** because they lack authoritative support and obtain, from intended users and management, acknowledgment that the criteria are suitable for the engagement
- Do not perform the engagement using criteria that would result in a report that would be misleading to intended users

Performance Standards

- The work should be adequately **planned** and the practitioner should ensure any other persons performing the assurance engagement are **properly supervised**
- The practitioner should consider **the concept of significance (i.e. materiality)** and the relevant components of **engagement risk** when planning and performing the assurance engagement
- Engagement risk is the risk that the practitioner will express an inappropriate conclusion and includes the following:
 - Risks that are beyond the control of management and the practitioner (inherent risk)
 - Risks that are within the control of management (control risk)
 - Risks that are within the control of the practitioner (detection risk)

- **Sufficient appropriate evidence** should be obtained to provide the practitioner with a reasonable basis to support the conclusion expressed in his or her report
 - In an audit engagement, procedures would include a mix of: inspection, observation, inquiry, confirmation, recalculation, reperformance and analytical procedures
 - In a review engagement, procedures are limited to inquiry, analytical procedures and discussion

Reporting standards

- As a minimum the practitioner's report should:
 - Identify to **whom** the report is directed;
 - Describe the **objective of the engagement** and the **entity**, the **subject matter** and the **time period** covered by the engagement;
 - In an attest report, identify **management's assertion**;
 - Describe the **responsibilities of management** and the **practitioner**;
 - Identify the **applicable standards** in accordance with which the engagement was conducted;
 - Identify the **criteria** against which the subject matter was evaluated;
 - State a **conclusion** that conveys the level of assurance being provided and/or any reservation the practitioner may have;
 - State the **date** of the report;
 - Identify the **name of the practitioner (or firm)**; and
 - Identify the **place of issue**
- A reservation should be expressed when the practitioner:
 1. **Is unable to obtain sufficient appropriate evidence**
 2. In a **direct reporting engagement**, concludes that the subject matter does not conform with the criteria; or
 3. In an attest engagement, concludes that:
 - the assertion prepared by management does not present fairly the **criteria used**;
 - the assertion prepared by management does not present fairly the subject matter's **conformity with the criteria**; or
 - **essential information has not been presented** or has been presented in an inappropriate manner
- The reservation should be expressed in the form of a **qualification of conclusion or a denial of conclusion** when the practitioner is unable to obtain sufficient appropriate evidence
- express **qualification of conclusion or an adverse conclusion** when the practitioner:
 - in a **direct reporting engagement**, concludes the subject matter does not conform with the criteria, express **qualification of conclusion or an adverse conclusion**
 - When the practitioner in an attest engagement, concludes the assertion prepared by management **does not present fairly the criteria used** or the **conformity of the subject matter with the criteria** or that essential information has not been presented or has been presented in an inappropriate manner, express **qualification of conclusion or an adverse conclusion**