

August 2017

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This *Technical Bulletin* covers the various developments from May 2017 to July 2017.

Acknowledgement: The content of the *Technical Bulletin* has been summarized or reproduced from the CPA Canada, IASB and IFRIC, IAASB, AcSB, PSAB, AASB press releases, updates, publications, meeting summaries and other publications referenced within the *Bulletin*.

A summary of acronyms used in this *Bulletin* is included at the end.

To discuss implementation or interpretation issues with respect to these or any other accounting or assurance matters, please contact your local Collins Barrow service provider.

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August 2017

Accounting

ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES (ASPE)

Active projects – watch for further activity on these matters

Proposed change	Summary	Status
Redeemable Preferred Shares Issued in a Tax Planning Arrangement	<p>Amendment to Section 3856 regarding the current exemption of classifying redeemable preferred shares issued in a tax planning arrangement as equity. The AcSB reaffirmed its view that the basis for the exception should be on the condition of retention of control of the enterprise and decided that the control of the enterprise must be retained by the party receiving the redeemable preferred shares. The AcSB further decided on the additional conditions necessary to qualify for equity classification which determine that control of the future cash outflows of the enterprise has not changed. The AcSB noted that at least some of the tax planning arrangements that meet the classification exception under the current guidance will not qualify for the exception under the proposed basis.</p>	<p>Currently in deliberations. The AcSB is expecting to issue a re-exposure draft in the 3rd quarter of 2017.</p>
Agriculture	<p>As a result of a lack of specific authoritative guidance, there is diversity in accounting by private enterprises for biological assets and agricultural produce. Stakeholder input to this Discussion Paper will assist the AcSB in deciding whether to develop authoritative guidance, and if so, the issues to be addressed and how they could be addressed.</p>	<p>This Discussion Paper was published by the AcSB in December 2015. Currently in deliberations. The AcSB plans to issue an exposure draft by 1st quarter of 2018. The AcSB Agriculture Advisory Group has been formed to assist the AcSB as it works to develop new accounting guidance on agriculture.</p>

Questions?

Here are some resources that will assist in the application of the standards.

Private Enterprise Advisory Committee

This committee assists the AcSB in maintaining and improving accounting standards for private enterprises and advises on the

need for non-authoritative guidance about the standards. At the request of the AcSB, the committee may also undertake research into the financial reporting needs of private enterprises.

Click [here](#) to access recent meeting notes.

Digest of issued standards and amendments

Standards affected	Summary of changes	Effective date
Section 3056, Interests in Joint Arrangements	Amendments clarify that the transitional provisions may not be applied when an enterprise changes its accounting policy choice to consolidate its subsidiaries at any time in the future and that this relief is only available when transitioning to this Section for the first time. <i>FYI Article – Accounting For Investments: Are You Ready For the Changes?</i>	Annual financial statements relating to fiscal years beginning on or after January 1, 2017.
Section 1591, Subsidiaries	Amendments: <ul style="list-style-type: none"> clarify that the transitional provisions may not be applied when an enterprise changes its accounting policy choice to consolidate its subsidiaries at any time in the future and that this relief is only available when transitioning to this Section for the first time, and explicitly state that an enterprise preparing non-consolidated financial statements is not required to assess whether contractual arrangements give rise to control. <p>Amendment sets out the underlying principle that an interest in a subsidiary that is subsequently accounted for using the cost method is initially measured on a basis that is similar to other business combinations. <i>FYI Article – Accounting For Investments: Are You Ready For the Changes?</i></p>	Annual financial statements relating to fiscal years beginning on or after January 1, 2017.
Section 3051, Investments	Amendments add guidance on how to apply the cost method and add two indicators of impairment relating to the acquisition of an additional interest, sale of a portion of an interest or dilution of an investor's interest in an investee. <i>FYI Article – Accounting For Investments: Are You Ready For the Changes?</i>	Annual financial statements relating to fiscal years beginning on or after January 1, 2018.
2017 Annual Improvements	Amendments to Sections 1505, 1506, 1521, 1651, 3031 and 3065.	Annual financial statements for fiscal years beginning on or after January 1, 2018.

ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (ASNPO)

Questions?

Here are some resources that will assist in the application of the standards.

Not-for-Profit Advisory Committee

This committee's purpose is to advise the AcSB on maintaining and improving ASNPO and in identifying the need for non-authoritative

guidance about the standards. The committee makes recommendations to the AcSB but is not authorized to interpret or provide authoritative guidance.

Click [here](#) to access recent meeting notes.

Active projects – watch for further activity on these matters

Proposed change	Summary	Status
Accounting Standards Improvements for Not-for-Profit Organizations	This exposure draft, issued by the AcSB in February 2017, proposes to replace Sections on tangible capital assets, intangible assets and collections held by Not-for-Profit Organizations. Not-for-Profit Organizations would follow Part II of the Handbook for tangible capital assets and intangible assets, except for items such as contributed assets and write-down of assets. Tangible capital assets, intangible assets and collections will need to be assessed and, if impaired, written down to reflect the decline in their value. Collections would need to be recorded on the statement of financial position, at cost or at nominal value.	Comment period ended on May 31, 2017. Currently in deliberations.

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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New developments

Property, Plant and Equipment – Proceeds before Intended Use (Proposed amendments to IAS 16)

This exposure draft, issued by the IASB in July 2017, proposes amendments that would prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognize those sales proceeds in profit or loss.

Comment period ends on October 19, 2017.

Post-implementation Review – IFRS 13 Fair Value Measurement

This Request for Information (RFI) was published by the IASB in May 2017. The purpose of the post-implementation review is to evaluate

if the standard is working as intended. The RFI focuses on:

- disclosures about fair value measurements;
- further information about measuring quoted investments in subsidiaries, joint ventures and associates at fair value;
- application of the concept of the “highest and best use” when measuring the fair value of non-financial assets; and
- application of judgement.

In addition, this RFI explores whether there is a need for further guidance on measuring the fair value of biological assets and unquoted equity instruments.

Comment period ends on September 22, 2017.

Active projects – watch for further activity on these matters

Proposed change	Summary	Status
IFRS 17 Insurance Contracts	IASB issued the final standard in May 2017. This new standard, IFRS 17 Insurance Contracts, replaces IFRS 4 Insurance Contracts, which was an interim standard allowing companies to carry on accounting for insurance contracts using national accounting standards resulting in different approaches. IFRS 17 requires all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values – instead of historical cost.	Final standard is expected to be issued by the AcSB in the second half of 2017.
Reporting the Financial Effects of Rate Regulation	This DP considers the common features of rate regulation and explores which of them, if any, creates a combination of rights and obligations that is distinguishable from the rights and obligations arising from activities that are not rate-regulated.	Currently in discussions. Another DP or an exposure draft is expected in the first half of 2018.
Accounting for Dynamic Risk Management	The DP explores a possible approach (portfolio revaluation approach) to better reflect dynamic risk management activities in entities' financial statements.	Discussion Paper issued by the IASB in April 2014. Currently in deliberations. Another DP is expected in the second half of 2018.
Classification of Liabilities	Proposed amendments to IAS 1 clarify the criteria for the classification of a liability as either current or non-current.	Currently in deliberations. IASB expects to issue amendments in the first half of 2018.
Conceptual Framework and Updating References to the Conceptual Framework	The proposal aims to provide a more complete, clear and updated set of concepts that can be used by the IASB when it develops IFRSs and others to help them understand and apply those standards and to provide transition to the revised Conceptual Framework.	EDs published by the IASB in May 2015. Currently in deliberations. Conceptual Framework is expected to be issued in the 4 th quarter of 2017.

Proposed change	Summary	Status
Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan	The proposed amendments to IAS 19 specify that the entity is required to use the updated assumptions about obligations and fair value of the plan to determine current service cost and net interest for the period followed by these changes. The proposed amendments to IFRIC 14 address how the powers of other parties, such as the trustees of the plan, affect an entity's right to a refund of a surplus from the plan.	Currently in deliberations. IASB expects to issue amendments in the first half of 2018.
IFRIC 23 Uncertainty Over Income Tax Treatments	Issued in June 2017 by the IASB, this IFRIC Interpretation provides guidance on how uncertainty over income tax treatments should affect the accounting for income taxes.	Final standard is expected to be issued by the AcSB in the second half of 2017.
Application of Materiality to Financial Statements – Draft IFRS Practice Statement	The objective of this publication is to assist management in applying the concept of materiality to general purpose financial statements prepared in accordance with IFRS. This Practice Statement will be non-mandatory.	Draft guidance issued by the IASB in October 2015. IASB expects to issue a Practice Statement in the 3 rd quarter of 2017. It will come into effect immediately.
Definition of a Business and Accounting for Previously Held Interests	The proposed amendments to IFRS 3 will help distinguish between a business and a group of assets when applying the definition of a business. The proposed amendments to IFRS 3 and IFRS 11 are also intended to clarify the accounting for previously held interests in the assets and liabilities of a joint operation in two types of transactions: those in which an entity obtains control of a business that is a joint operation and those in which it obtains joint control of a business that is a joint operation.	Comment period ended on October 31, 2016. Currently in deliberations. IASB expects to issue amendments in the 4 th quarter of 2017.
Annual Improvements Cycle 2015-2017	The IASB issued this exposure draft in January 2017, proposing amendments to IAS 12, IAS 23 and IAS 28.	Comment period ended on April 12, 2017. Currently in deliberations. IASB expects to issue amendments in the 4 th quarter of 2017.
Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34)	The proposed improvements to IFRS 8 include amendments to clarify and emphasize the criteria for aggregating operating segments; to disclose the title and role of those that perform the function of the chief operating decision maker; and to provide information if segments in the financial statements differ from segments reported elsewhere. Proposed amendments to IAS 34 will require companies that change their segments to provide restated segment information for prior interim periods earlier than they currently do.	Comment period ended on July 31, 2017.
Disclosure Initiative – Principles of Disclosure	This Discussion Paper describes and seeks stakeholders' views on disclosure issues that the IASB has identified during its outreach before and during its Principles of Disclosure project. IAS 1 contains general requirements for disclosures in the financial statements. Consequently, this Discussion Paper considers the existing requirements in IAS 1 as a starting point with a view to either making amendments to parts of IAS 1 or creating a new disclosure standard to replace parts of IAS 1.	Comment period ends on October 2, 2017.

Proposed change	Summary	Status
Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)	The IASB issued this exposure draft proposing minor amendments to IFRS 9 to enable companies to measure at amortized cost certain prepayable financial assets with so-called negative compensation. This narrow exception to IFRS 9 would apply to particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. Applying the proposal, some such financial assets would be eligible to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which they are held, if particular conditions are met.	Comment period ended on May 24, 2017. IASB expects to issue amendments in the 4 th quarter of 2017.

Questions?

Here are some resources that will assist in the application of the standards.

CPA Canada Reporting Alerts for IFRS

CPA Canada issues Reporting Alerts aimed at assisting companies in determining the impact of new and revised standards on their business. Reporting Alerts provide a summary of the standard, highlight significant items, summarize key changes and address common questions.

Implementing IFRS 15

A panel discussion on the implementation of IFRS 15 Revenue from Contracts with Customers was held by the AcSB in October 2016. You can watch the [video](#) from the discussion and download the [slides](#).

Viewpoints

This series discusses views of the Oil and Gas Task Force and the Mining Task Force on IFRS application issues relevant to junior oil and gas companies and junior mining companies, respectively.

IFRS Discussion Group Meeting Topics

Established by the AcSB, the IFRS Discussion Group implements and maintains a regular public forum to discuss issues that arise in Canada when applying IFRS. The Financial Reporting & Assurance Standards Canada website allows for topics and issues discussed by the IFRS Discussion Group to be searched and sorted. Find out whether the group has discussed an issue that you face in applying IFRSs and get the [meeting report extract and audio webcast](#) for each issue you find.

Digest of issued standards and amendments

Standards affected	Summary of changes	Effective date
IFRS 12 Disclosure of Interests in Other Entities	Amendments clarify the scope of the standard.	Annual periods beginning on or after January 1, 2017.
IAS 7 Statement of Cash Flows	Amendments will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	Annual periods beginning on or after January 1, 2017.
IAS 12 Income Taxes	Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.	Annual periods beginning on or after January 1, 2017.
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments remove short-term exemptions for first-time adopters.	Annual periods beginning on or after January 1, 2018.
IFRS 2 Share-based Payment	Amendments clarify how to account for certain types of share-based payment transactions.	Annual periods beginning on or after January 1, 2018.
IFRS 4 Insurance Contracts	Amendments designed to address the concerns about the different effective dates of IFRS 9 and the forthcoming new Insurance Contracts standard.	Annual periods beginning on or after January 1, 2018.

Standards affected	Summary of changes	Effective date
IFRS 9 Financial Instruments	IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 includes a new hedge accounting model. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses.	Annual periods beginning on or after January 1, 2018.
IFRS 15 Revenue from Contracts with Customers	The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard contains enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. Amendments to IFRS 15 have been issued by the IASB which clarify how to identify the performance obligations, determine whether a company is a principal or an agent and determine whether the revenue from granting a licence should be recognized at a point in time or over time. Two additional reliefs are included which reduce cost and complexity for a company when it first applies the new standard.	Annual periods beginning on or after January 1, 2018.
IAS 28 Investments in Associates and Joint Ventures	Amendments with respect to measuring an associate or joint venture at fair value clarify that an entity makes the election separately for each associate or joint venture.	Annual periods beginning on or after January 1, 2018.
IAS 40 Investment Property	Amendments clarify the requirements on transfers to, or from, investment property.	Annual periods beginning on or after January 1, 2018.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	This Interpretation addresses the exchange rate to be used in transactions that involve advance consideration paid or received in a foreign currency.	Annual periods beginning on or after January 1, 2018.
IFRS 16 Leases	This new standard replaces IAS 17 Leases and brings leases onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee – the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.	Annual periods beginning on or after January 1, 2019.
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	These standards were amended to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Effective date to be determined. These amendments are available for application.

PUBLIC SECTOR ACCOUNTING (PSA)

New developments

Revenue, Proposed Section PS 3400

Subsequent to the comments received on PSAB's Statement of Principles "Revenue," this exposure draft, issued by PSAB in May 2017, proposes to issue a new Section on revenue.

A framework for revenue is proposed describing two categories of revenue – exchange transactions or unilateral transactions. A public sector entity will need to review existing contracts and terms of arrangement to determine whether a performance obligation is present and therefore accounted for as an exchange transaction.

Otherwise, it would be a unilateral transaction.

The new Section would apply to fiscal years beginning on or after April 1, 2021. Earlier adoption would be permitted. Comment period ends on August 15, 2017.

Public Private Partnerships

This Statement of Principles was issued by PSAB in July 2017. The main features of the proposal to expose a new Section on certain public private partnerships are as follows:

- Public private partnership infrastructure is procured by the public sector entity using a private sector partner whose obligations include: a requirement to build, acquire, improve

or refurbish; finance; and maintain and/or operate the infrastructure.

- Public private partnership infrastructure is recognized as an asset where the public sector entity controls the infrastructure.
- A liability is recognized where the public private partnership gives rise to an obligation to the public sector entity to sacrifice future economic benefits.
- Infrastructure and the associated liability are measured initially at cost.

Comment period ends on October 17, 2017.

Active projects – watch for further activity on these matters

Proposed change	Summary	Status
Financial Instruments: Transition	Proposed amendments clarify aspects of the Section's scope of application, specifically, the receivables and payables that the Section does not apply to, and add transitional provisions and new guidance relating to certain specialized forms of agreements.	Consideration of amendments proposed in this ED is currently deferred until a later date.
Conceptual Framework Fundamentals and the Reporting Model	Consultation paper proposes a new reporting model and draft principles on public sector characteristics, financial statement objectives, qualitative characteristics, elements, recognition, measurement and presentation.	Consultation Paper 3 was issued by the PSAB in March 2015. Currently in deliberations. Statement of Principles is being developed.
Employment Benefits: Deferral Provisions in Sections PS 3250 and PS 3255	The objectives of this Invitation to Comment are to explain why PSAB is considering whether the deferral provisions in the standards remain appropriate; identify potential alternatives and related considerations; and seek stakeholder input prior to PSAB establishing its preliminary views on this issue. The ultimate objective of this project is to issue a new employment benefits Section, replacing Sections PS 3250 and PS 3255.	Invitation to Comment related to the Employment Benefits Project was issued by the PSAB in November 2016. Comment period ended on March 3, 2017. Second Invitation to Comment is expected in the 4 th quarter of 2017.
Asset Retirement Obligations, Proposed Section PS 3280	This exposure draft proposes to issue a new section on asset retirement obligations and withdraw Solid Waste Landfill Closure and Post-Closure Liability, Section PS 3270. This new Section would enhance comparability of financial statements among public sector entities by establishing uniform criteria for recognition and measurement of asset retirement obligations, including obligations that may not have previously been reported. This Section also would enhance the decision usefulness of the information provided to financial statement users by requiring disclosures related to asset retirement obligations. The new Section would apply to fiscal years beginning on or after April 1, 2021.	Comment period ended June 15, 2017.

Questions?

Here are some resources that will assist in the application of the standards.

PSA Discussion Group Meeting Topics

Established by the PSAB, the PSA Discussion Group provides a public

forum for discussion of issues arising on the application of the PSA Handbook. Summaries of topics and discussions from [past meetings](#) are available on the Financial Reporting & Assurance Standards Canada website.

Digest of issued standards and amendments

Standards affected	Summary of changes	Effective date
Related Party Disclosures, Section PS 2200	This new Section defines a related party and establishes disclosures required for related party transactions. Section PS 4260, Disclosure of Related Party Transactions by Not-for-Profit Organizations, has been withdrawn.	Fiscal years beginning on or after April 1, 2017.
Inter-entity Transactions, Section PS 3420	This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.	Fiscal years beginning on or after April 1, 2017.
Assets, Section PS 3210	This new Section provides guidance for applying the definition of assets set out in Section PS 1000 and establishes general disclosure standards for assets.	Fiscal years beginning on or after April 1, 2017.
Contingent Assets, Section PS 3320	This new Section defines and establishes disclosure standards on contingent assets.	Fiscal years beginning on or after April 1, 2017.
Contractual Rights, Section PS 3380	This new Section defines and establishes disclosure standards on contractual rights.	Fiscal years beginning on or after April 1, 2017.
Restructuring Transactions, Section PS 3430	This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.	Fiscal years beginning on or after April 1, 2018.
Financial Statement Presentation, Section PS 1201	This Section revises and replaces Financial Statement Presentation, Section PS 1200. The new standard introduces a new statement for reporting of remeasurement gains and losses.	Fiscal years beginning on or after April 1, 2019.
Foreign Currency Translation, Section PS 2601	This Section revises and replaces Foreign Currency Translations, Section PS 2600. Definition of currency risk is aligned with the new Financial Instruments Section, PS 3450. The new standard also removes certain previously available exceptions to measurement of items on initial recognition. The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items, hedge accounting and presentation of items as synthetic instruments are removed. In addition, the new statement of remeasurement gains and losses introduced in Section PS 1201 is used to reflect exchange gains and losses until the period of settlement, rather than reflecting them in the statement of operations.	Fiscal years beginning on or after April 1, 2019.
Portfolio Investments, Section PS 3041	This Section replaces Section PS 3040, Portfolio Investments. In addition, Section PS 3030 is withdrawn as the distinction between temporary and portfolio investments is removed with the issue of Section PS 3041. The scope in the new standard is expanded to include interests in pooled investment funds, and requirement for application of cost method is removed. The new standard is also aligned with the new Financial Instrument Section, PS 3450.	Fiscal years beginning on or after April 1, 2019.
Financial Instruments, Section PS 3450	This new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The standard introduces two measurement categories: fair value and cost or amortized cost. The statement of remeasurement gains and losses will reflect gains and losses arising on fair value remeasurement until an item is derecognized. The standard also introduces new disclosure requirements of items reported and the nature and extent of risks arising from financial instruments.	Fiscal years beginning on or after April 1, 2019.

August 2017

Assurance and Related Services

In the works

Compilation engagements

Exposure draft is being developed to address needed changes to the standard on compilation engagements. ED is expected to be approved in the second half of 2017. Issues being discussed by the AASB include:

- the scope and definition of a compilation engagement;
- engagement acceptance and continuance;
- documentation requirements;
- whether CSQC 1 should be applicable to compilation engagements; and
- whether communication with management and those charged with governance is needed.

Audit Data Analytics

CPA Canada has formed an [Audit Data Analytics Committee](#) (the Committee) comprising audit practitioners, internal auditors,

members in business and academia to:

- obtain up-to-date information on the nature and extent of the use of technology-enabled data analytics by auditors;
- monitor developments in auditors' use of audit data analytics; and
- provide input to auditors and other interested parties by developing non-authoritative guidance on these matters.

Representatives of the Committee are now proactively collaborating with the AICPA and their Audit Analytics Guide Task Force on the development of an updated version of the AICPA Audit Guide Analytical Procedures. This comprehensive Guide, with appropriate amendments, will be issued as non-authoritative audit guidance in Canada and provide foundational guidance to auditors of all sizes on the use of data analytics in the audit of financial statements.

Active projects – watch for further activity related to Canadian Auditing Standards

Proposed change	Summary	Status
Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits	This ITC highlights the IAASB's discussions on the topics of professional skepticism, quality control and group audits, and flags potential standard-setting activities the IAASB could take to enhance audit quality.	Invitation to Comment (ITC) issued by the IAASB in December 2015 (AASB in February 2016). Comment period closed. Currently in deliberations.
Auditing Accounting Estimates and Related Disclosures	The IAASB is proposing to revise the standard on Auditing Accounting Estimates and Related Disclosures (ISA 540). The objective of the revised standard is for the auditor to obtain sufficient appropriate audit evidence to evaluate whether accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated. The revised standard will include enhanced requirements for risk assessment and response procedures, consideration of complexity, use of judgement and estimation uncertainty, consideration of complex models, forward-looking information and internal controls in auditing accounting estimates and includes provisions to enhance application of professional skepticism and consideration of the potential for management bias, including enhanced risk assessment requirements, more granular requirements with respect to obtaining audit evidence, and requirements to "stand back" and evaluate the audit evidence obtained.	The IAASB issued this exposure draft in April 2017. The AASB's related exposure draft proposes no Canadian amendments. Comment period ended on August 1, 2017.

Active projects – watch for further activity related to other Canadian Standards

Proposed change	Summary	Status
Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services, and the Implications for the IAASB's International Standards	This Discussion Paper, issued by the IAASB, resulted from a higher demand for agreed-upon procedures engagements either as stand-alone engagements or in combination with other engagements. The IAASB has established a working group to explore such engagements and inform the IAASB's decisions in this regard. The objective of the AASB's project is to update Section 9100, Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements.	The AASB issued this Invitation to Comment in December 2016 to encourage Canadian stakeholders to provide feedback to the IAASB's Discussion Paper of the same name. AASB's comments period ended on February 10, 2017. Currently in deliberations.
Reporting on Compliance	The AASB is proposing to issue CSAE 3530, Special Considerations – Attestation Engagements to Report on Compliance and CSAE 3531, Special Considerations – Direct Engagements to Report on Compliance. These standards would replace Sections 5800, 5815 and 8600. In addition, the standards would also replace certain paragraphs of Section 5300. Objective of the proposal is to update the standards and rewrite them in a clarity format. The proposed standards will cover both audit and review engagements.	The AASB issued this re-exposure draft in April 2017. Comment period ended on July 28, 2017.

Digest of issued standards and amendments – Canadian Auditing Standards

Standards affected	Summary of changes	Effective date
Communication with Law Firms	The new Joint Policy Statement Concerning Communications with Law Firms Regarding Claims and Possible Claims in Connection with the Preparation and Audit of Financial Statements ("Statement") replaces the existing Statement and AuG-46. The new Statement includes an expanded scope that also includes in-house legal counsel, excludes guidance relating to a specific financial reporting framework, clarifies the communication protocols and timelines, and includes new guidance with respect to the auditor's role, updated response letters, and format and content of the inquiry and response letter.	Effective for inquiry letters dated on or after December 1, 2016.
Responding to Non-Compliance or Suspected Non-Compliance with Laws or Regulations	The Revised CAS 250 incorporates changes to address actual or perceived inconsistencies in the approach to identifying and responding to instances of identified or suspected non-compliance with laws and regulations between the standard and relevant ethical requirements. <u>CPA Canada Audit and Assurance Alert: CAS 250 non-compliance with laws and regulations</u>	Effective for audits of financial statements for periods beginning on or after December 15, 2018.
New and Revised Auditor Reporting Standards and Related Conforming Amendments	AASB issued new CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report and revised CAS 260, 570, 700, 705, 706, 800, 805 and 810, along with some conforming amendments to other CASs. Communication of key audit matters is required when the auditor is required by law or regulation or when the auditor decides to do so. The requirement in ISA 701 for auditors of listed entities to communicate key audit matters has been excluded from CAS 701 at this time. Amendments include enhanced reporting on going concern, affirmative statement about the auditor's independence, enhanced description of the responsibilities of the auditor and key features of an audit, and change in order of the opinion and basis for opinion sections. <u>CPA Canada Audit and Assurance Alert: New and revised auditor reporting standards</u> <u>CPA Canada Audit and Assurance Alert: CAS 701 Key audit matters</u>	Effective for audits of financial statements for periods beginning on or after December 15, 2018.

Standards affected	Summary of changes	Effective date
Addressing Disclosures in the Audit of Financial Statements	The changes to various CASs clarify the concept of disclosures as an integral part of the financial statements and emphasize the need for auditor consideration of disclosures earlier in the audit process, including understanding of relevant aspects of the information system relating to information disclosed in the financial statements, identifying and assessing the risks of material misstatements in quantitative and qualitative disclosures, obtaining sufficient appropriate audit evidence relating to disclosures, and evaluating the overall presentation of the financial statements, including their relevance and understandability.	Effective for audits of financial statements for periods beginning on or after December 15, 2018.
The Auditor's Responsibilities Relating to Other Information	Revised CAS 720 specifies responsibilities of auditors relating to the range of other information in documents containing audited financial information and improves transparency by requiring auditors to articulate in their reports their responsibilities and the outcome of their work. <i>CPA Canada Audit and Assurance Alert: CAS 720 Other information</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2018.

Digest of issued standards and amendments – other Canadian standards

Standards affected	Summary of changes	Effective date
Section 7170, Auditor's Consent to the Use of the Auditor's Report Included in a Business Acquisition Report	Section 7170 sets out new requirements relating to the auditor's responsibilities in responding to requests to consent to the use of the auditor's report on the audited financial statements of the acquired business that are to be included in a business acquisition report issued by the acquirer. In addition, the standard sets out requirements for the format and content of the auditor's consent.	Effective for an auditor's consent to the use of the auditor's report in a business acquisition report issued on or after June 1, 2017.
CSOA 5000, Use of the Practitioner's Communication or Name	CSOA 5000 replaces Section 5020 and sets out requirements relating to: <ul style="list-style-type: none"> ▪ use of the practitioner's communication or name in connection with accompanying information; ▪ translated practitioner's communication or information on which the practitioner reported; and ▪ inappropriate use of the practitioner's communication or name. The fundamental principles underlying CSOA 5000 are consistent with Section 5020 being replaced. <i>CPA Canada Audit & Assurance Alert: CSOA 5000 – Use of the Practitioner's Communication or Name</i>	Effective as of, and applicable to a practitioner's consent provided on or after, June 1, 2017.
CSAE 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information and CSAE 3001, Direct Engagements	Replaces Sections 5025, 5030, 5049 and 5050. CSAE 3000 is adopted from ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. CSAE 3000 contains Canadian amendments to address differences between ISAE 3000 and the applicable Canadian assurance standards. These differences include narrowing the scope of CSAE 3000 to address attestation engagements only, references to relevant ethical requirements and terminology. CSAE 3001 sets out requirements related to planning, performing and reporting on direct engagements. Differences in wording between CSAE 3000 and CSAE 3001 relate only to differences between the performance of an attestation engagement and the performance of a direct engagement.	Effective for attestation and direct engagements where the assurance report is dated on or after June 30, 2017.
CSRE 2400, Engagements to Review Historical Financial Statements	This new standard sets out requirements related to quality control, acceptance, communication with management and those charged with governance, performance of the engagement, reporting and documentation. CSRE 2400 replaces Sections 8100, 8200, 8500, AuG-20 and AuG-47. <i>CPA Canada Practitioner Client Briefing</i>	Effective for reviews of financial statements for periods ending on or after December 14, 2017.

August 2017

ACRONYMS USED

- AASB – Auditing and Assurance Standards Board
- AcSB – Accounting Standards Board
- ED – Exposure Draft
- Re-ED – Re-Exposure Draft
- GAAP – Generally Accepted Accounting Standards
- IAASB – International Auditing and Assurance Standards Board
- IASB – International Accounting Standards Board
- IFRIC – International Financial Reporting Interpretations Committee
- CMA – Certified Management Accountants
- CPA – Chartered Professional Accountants
- CPAB – Canadian Public Accountability Board
- CSA – Canadian Securities Administrators
- PSAB – Public Sector Accounting Board