

**CPASK**

# Focus on **FIRMS**

The Institute of Chartered Professional Accountants  
of Saskatchewan Firm Newsletter | Special Edition

November 2018

 **CPA**  
SASKATCHEWAN



# Focus on FIRMS

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of Saskatchewan Firm Newsletter | Special Edition

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## Disclaimer

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## FROM THE COMMITTEE CHAIR



**Sheila Filion**, CPA, CA  
Chair of the Professional  
Practice Committee

Fall is a great time for getting back into routines and planning for the busy season to come. It is also the time of year when the Professional Practice Committee becomes more active.

The Professional Practice Committee is responsible for overseeing the practice monitoring and licensing functions of the Institute. Our overall objective is to protect the public by ensuring that members in the practice of public accounting are competent and comply with professional standards. Our committee consists of 14 dedicated volunteers who meet frequently over the fall and winter months to oversee these areas.

March 2018 was the end of the most recent three-year inspection cycle. Over that period, the Institute inspected 319 sole practitioners, partnerships and firms. Of these, 77% were found to be performing services in compliance with professional standards. The remaining 23% were subject to either a partial or full reinspection and/or practice restriction. The Annual Practice Inspection Results report highlights the areas where deficiencies were most commonly found. I encourage you to read the report (pages 2 to 8) and consider whether changes are needed in your processes.

The licensing regime in Saskatchewan continues to evolve. This includes the renaming of a “conditional” licence to a “specified” licence as well as an increased hour requirement for the renewal of specified licences. Licensing is an important process used to protect the public and ensure that members are competent in providing assurance services. If you have any questions about the changes in the licensing requirements, please reach out to the Institute.

Have a wonderful fall!

## EXTERNAL **RESOURCES**

### NEW AND REVISED AUDITOR REPORTING: EXTERNAL RESOURCES

CPA Canada has compiled an [inventory of useful external resources](#) to help you understand and apply the new and revised auditor reporting standards.

The Canadian Auditing and Assurance Standards Board (AASB) approved new and revised auditor reporting standards in April 2017. These standards are effective for audits of financial statements for periods ending on or after December 15, 2018.

The implications of these new and revised standards will result in new auditors' reports for all audits and

will impact everyone involved in the financial reporting process (e.g., management and those charged with governance, including the audit committee), the external auditors and financial statement users.

These resources were created by external organizations and were not reviewed, developed or approved by CPA Canada. CPA Canada accepts no responsibility or liability that might occur directly or indirectly as a consequence of the use, application or reliance on these resources.

# ANNUAL PRACTICE INSPECTION RESULTS

*Disclaimer: This is not an official interpretation of the standards within the CPA Canada Handbook.*

## INTRODUCTION

The objectives for practice inspection are to protect the public while also providing the educational materials and guidance needed to give practitioners the skills and tools to comply with professional standards. As such, the Institute's monitoring group analyzes the annual inspection results to identify areas where adherence to the professional standards within the CPA Canada Handbook could be improved. This summary includes highlights from this analysis.

### Overall Assessment of Practice Inspection Findings

The Professional Practice Committee is the authority that determines the action to be taken following an inspection. Action ranges from no further action, a corrective action plan, partial or full reinspection, intervention to protect the public or a referral to the professional conduct process. Some factors considered in the outcome of an inspection may include but are not limited to:

- the degree to which the requirements of the practice inspection program have been met;
- the nature and severity of any identified deficiencies (reportable deficiencies);
- the cooperation of the firm;
- the public interest; and
- on a reinspection, the results of the previous inspection of the firm and the degree to which the firm addressed deficiencies identified in that inspection.

The most common departures from professional standards identified during the 2017-2018 inspection cycle are included in Appendix A of this summary. These include deficiencies with respect to audit, review and compilation engagements; documentation and implementation of firm quality control policies and procedures; and financial statement presentation and disclosure requirements.

It is important to note that the monitoring group for practice inspection does not establish standards. Members/firms are expected to adhere to the professional standards set out in the CPA Canada Handbook as well as CPA Saskatchewan's Act, bylaws, related policies and our Code of Professional Conduct.

## AREAS OF FOCUS FOR PRACTITIONERS

### Quality Control Policies and Procedures

Firms that carry out assurance engagements are required to maintain a Quality Assurance Manual (QAM) that is in line with the requirements set out in CSQC1 – *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance Engagements*. Note: there is currently an international project to make extensive revisions to the international quality control standard.

Many firms utilize QAM templates published by CPA Canada as the basis for documenting the firm's system of quality control and applicable policies. Firms are reminded that their QAM must be customized and appropriately reflective of the nature of the firm's services. It is also the firm's responsibility to modify their QAM for any changes to CSQC1 as well as regularly review their QAM for any outdated policy requirements or changes to quality control processes within the firm.

The review process forms one of two monitoring requirements set out in CSQC1. Firms must complete both annual monitoring and cyclical monitoring processes. Some firms misunderstand that these monitoring processes have different requirements. Ongoing or annual monitoring activities are intended as a "checkup" on the state of the firm's overall quality control system and are used to make updates to the QAM where issues have been identified within the past year. Cyclical monitoring assesses the firm's quality control system at the engagement level (at an appropriate interval) and includes the inspection of at least one completed assurance engagement for each engagement partner. Cyclical monitoring is completed by a suitably

qualified individual with no previous involvement with the engagement. Practice inspection completed by the Institute does not satisfy this cyclical monitoring requirement. Sole practitioners may need to seek out appropriately qualified individuals externally to complete cyclical monitoring.

Firms are expected to address and evaluate any deficiencies identified during monitoring activities. Firms should focus on identifying the root causes of deficiencies to help to develop and implement effective action plans to address deficiencies within a reasonable period of time. Action plans can vary among firms but may include firm communications to staff, increased staff training or increased file reviews. Deficiencies identified during monitoring activities are an indicator of lack of consistency in application of the firm's quality control system; therefore, updates to a firm's QAM may be required.

## Audits

We observed that a poor understanding of the accounting standards in Part II Accounting Standards for Private Enterprises and Part III Accounting Standards for Not-for-Profit Organizations was a root cause of many assurance engagement deficiencies identified during practice inspection. Firms are reminded that they must ensure that engagement staff understand the measurement, recognition, presentation and disclosure requirements of the financial reporting frameworks contained within the Accounting Handbook, as this understanding is essential to the performance of assurance engagements.

## DOCUMENTATION

A significant component in the performance of audits is adequate documentation. We observed many deficiencies that resulted from inadequate documentation. In many of those cases, discussions with the practitioner revealed that procedures were carried out and the practitioner had additional knowledge of the client, but this was not adequately documented in the file.

### **If it is not documented, it is not done.**

In order to obtain sufficient, appropriate evidence to support an audit opinion, a practitioner must comply with CAS 230 – Audit Documentation. If evidence is not well documented, the audit has not been performed in accordance with CAS 230.

Audit documentation that meets the requirements of CAS 230 provides:

- evidence of the basis for a conclusion about the achievement of the auditor's overall objectives; and
- evidence that the audit was planned and performed in accordance with CASs and applicable legal and regulatory requirements.

Furthermore, the standard requires that audit documentation be sufficient to enable an experienced auditor to understand:

- the nature, timing and extent of the procedures performed;
- the results of the procedures performed and the audit evidence obtained; and
- significant matters arising during the audit, the conclusions reached thereon and significant professional judgements made in reaching those conclusions.

Adequate documentation is important at all stages of the audit, from planning to forming the opinion and conclusion. Below, we provide some examples of documentation requirements at each stage of an audit.

## Audit Planning

An audit plan is the foundation of an efficient and effective audit. Documentation should cover:

- the determination of overall and performance materiality as well as specific account materiality, when applicable;
- understanding the entity and its environment;
- the entity's internal control systems, including the control environment, risk assessment process, information systems and monitoring controls;
- identifying control activities relevant to the audit;
- identifying and assessing the risks of material misstatement; and
- the planned audit responses to address the risks at the financial statement and assertion levels.

It is important to update and document planning decisions. Performing the engagement on the basis of "same as last year" could cause inefficiencies and lead to an ineffective audit, especially when significant changes have occurred in a client's operations.

Identifying, assessing and documenting risks in the entity is also an integral part of the planning process. Identifying significant risks, including those that encompass fraud risk, will focus the audit team's attention on the accounts and assertions that represent the greatest risk for material misstatement.

Once the audit plan has been established, it is best practice to create a memo that identifies the risk areas and the planned audit response to gain sufficient, appropriate evidence to mitigate these risks. The planning memo should be updated on an ongoing basis as new risks are identified.

*continued on page 4*

Performing & Concluding the Audit

Documentation is also a key component during the performance phase of the audit. Preparing sufficient and appropriate documentation on a timely basis enhances the quality of the audit and facilitates the effective review and evaluation of both the evidence obtained and the conclusions reached before the auditor’s report is finalized.

While audit programs are useful to facilitate the completion of audit procedures, signing off on a step in an audit program with “yes”, “no” or “completed, no exceptions” will rarely constitute sufficient documentation in accordance with CAS 230. Detail should be provided as to the nature, timing and extent of procedures performed; the evidence obtained; the results of the procedures and the conclusions reached. This can be documented directly in the audit program or with a reference to the relevant working paper(s) where the procedures are carried out.

Here’s an example:

An audit client has one long-term receivable and the balance is material to the financial statements. The auditor tested the receivable for existence, rights and valuation and the results were:

- no significant findings or issues were noted; and
- no significant judgements were made.

The audit program is signed as follows:

Procedure	Comments	Done By
Test receivable for existence, rights and valuation	Completed, no exceptions	FR Jun 3, 17

There is a conclusion that states: “The audit evidence obtained is sufficient and appropriate to reduce the risk of material misstatement to an acceptably low level.” A file reviewer has also signed off and dated the working paper.

If the adequacy of this level of documentation were compared to the requirements of CAS 230, we would conclude as follows:

CAS 230 Requirements	Adequate Documentation?
The nature and extent of the procedures	This requirement has <b>not</b> been met. While we know which assertions the auditor tested, there is no documentation to support what procedures were followed by the auditor to test them.
The timing of the procedures	This requirement has been met through signoff and date of signoff by the preparer and reviewer.

CAS 230 Requirements	Adequate Documentation?
The results of the procedures	This requirement has been met by the comment “no exceptions.”
The audit evidence obtained	This requirement has <b>not</b> been met, as there is no documentation to support the evidence obtained.
Significant matters arising or judgements made	The conclusion provides the result of the judgement made (i.e., that the audit evidence is sufficient).

In this example, if a note was added to the program specifying the work done and reference to support was included, such as “agreed balance to the long-term receivable agreement; checked the client’s interest calculation; traced receipts during the year to the bank statements; recalculated receivable amount and confirmed amount with debtor,” the requirements of CAS 230 would have been met.

Documentation should show, at a minimum, the purpose of the audit procedure, the items selected, the characteristics being tested, the result of each test and the conclusion drawn upon completion. Application guidance in CAS 230 states that “recording the identifying characteristics serves a number of purposes. For example, it enables the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested.”

High-quality working papers will always have sufficient information to allow the audit procedures to be easily re-performed by someone not familiar with the audit client.

In addition to documentation of audit procedures as discussed above, documentation of areas requiring significant professional judgement and/or reliance on discussions with management warrant special consideration.

Professional Judgement

An important factor in determining the nature and extent of audit documentation is the degree of professional judgement exercised in performing the work and evaluating the results. Documentation of judgements made, where significant, serves to reinforce their quality and explain the auditor’s conclusions. Documentation of significant matters and judgements facilitates the review process and provide valuable information for planning and performing the audit in subsequent years.

Evidence Obtained Through Discussions with Management

When relying on information obtained through discussions with management, professional skepticism should be applied and corroborating evidence obtained to support any

explanations. The nature of the discussions, as well as the corroborating evidence, should be documented to provide a record of whom the matters were discussed with, when they were discussed, what was discussed, how this discussion was corroborated and the conclusions reached.

## Other Auditing Standards

While CAS 230 is the audit documentation standard, many of the other auditing standards have specific documentation requirements that should not be overlooked. These other sections do not override the requirements of CAS 230 but expand and reinforce these requirements. The appendix to CAS 230 provides a list of specific documentation requirements that can be found in the other audit sections.

## REVIEW ENGAGEMENTS

As with audit engagements, one of the key drivers behind the reportable deficiencies raised during inspections is insufficient documentation. Like inspections of audit files, many firms indicate that matters were discussed with the client but had not been documented.

CSRE 2400 – Engagements to Review Historical Financial Statements became effective for periods ended on or after December 14, 2017 (early adoption was not permitted). This standard sets out areas where an enhanced level of documentation is required and, in contrast to the “old” review engagement standard, places greater emphasis on “the practitioner’s professional judgement, particularly in the determination of where material misstatements are likely to arise.”

Documentation requirements for a review engagement under CSRE 2400 are specifically addressed in paragraphs 104–107. In particular, documentation should be sufficient for an experienced practitioner, having no previous connection with the engagement, to understand:

- the nature, timing and extent of procedures performed (including who performed the work, the date it was completed, who reviewed the work and the date of the review);
- the results obtained from the procedures performed and the practitioner’s conclusions arising therefrom; and
- significant matters arising during the engagement, the practitioner’s conclusions and significant professional judgements made to reach those conclusions.

Certain aspects of audit documentation discussed in the section above will assume relevance in the performance of review engagements. In particular, practitioners should ensure that:

- documentation around understanding the entity and its environment is complete and adequate;

- documentation of the entity’s accounting systems and accounting records is included in the working paper files;
- documentation is made of areas in the financial statements where material misstatements are likely to arise;
- procedures are performed and documented of all the material items and areas where material misstatement are likely to arise; and
- all responses to inquiries of management are clearly documented.

## COMPILATION ENGAGEMENTS

The exposure draft for the new compilation engagement standard was recently published. We expect the new standard to further improve the quality of work completed by practitioners on compilation engagements.

As a reminder, firms must take care to appropriately document their assessment of engagement acceptance or continuance as well as their independence for each compilation engagement.

## FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE

Many financial statement presentation and disclosure deficiencies stem from new or complex transactions and one or more related elements of disclosure missing from the financial statements.

An example of one of the most common financial reporting deficiencies is with the measurement, presentation and disclosure of related-party transactions. Such transactions can present certain complexities, and practitioners are reminded to refer to the relevant guidance, including decision trees and illustrative examples, to ensure proper accounting.

Other common deficiencies include misclassifications and other errors in cash-flow statements. Sometimes overlooked, the statement of cash flows is an integral part of financial reporting that ties the other statements together for a complete picture of how a company generates and uses its cash and cash equivalents.

Appendix A (pages 6 to 8) sets out other common inspection deficiencies related to financial statement presentation and disclosure.



*continued on page 6*

## APPENDIX A

### Common Deficiencies in Compliance with Professional Standards

#### Canadian Standards on Quality Assurance

- The firm did not establish a monitoring process that included, on a cyclical basis, inspection of at least one completed engagement for each engagement partner.

CSQC 1, paragraph 48

- The cyclical inspection was not performed in accordance with the recommendations, in that those performing the inspections were involved in the engagement or acted as EQCR.

CSQC 1, paragraph 48

- The firm did not perform an ongoing consideration and evaluation of the firm's system of quality control.

CSQC 1, paragraph 48

#### Audit Engagements

- The auditor did not document an evaluation whether an EQCR was required on an audit engagement of a non-listed entity.

CSQC 1, paragraphs 35 and 57

- The written letter of representation obtained from the client's management and, where appropriate, those charged with governance did not include all required elements.

CAS 580, paragraphs 10 and 12; CAS 240, paragraph 40; CAS 580, paragraph 13

- The auditor did not document the design and performance of substantive audit procedures for each material class of transactions, account balances and disclosures.

CAS 330, paragraph 18; CAS 500, paragraph 6

- The auditor did not document the design and performance of audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

CAS 240, paragraph 33; CAS 330, paragraph 20

- The auditor's report on the prior period, as previously issued, included a modified opinion and the matter that gave rise to the modification was unresolved. The auditor modified the auditor's opinion on the current period's financial statements. The auditor did not include a reference to the prior period's modified opinion in the current year's Basis for Modification paragraph.

CAS 710, paragraph 11



#### Audit Engagements

- When the auditor used audit sampling to provide a reasonable basis to draw conclusions about the population from which the sample was selected, the documentation did not reflect how the auditor met the requirements of the standard. The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level and select items for the sample in such a way that each sampling unit in the population has a chance of selection. The auditor shall perform audit procedures on each item selected for the sample, with a replacement item selected if the procedure is not applicable to the selected item, or treat it either as a misstatement in a test of detail if the auditor is unable to apply the designed audit procedure on it (and project the misstatements found to the population) or as a deviation in a control test. The auditor shall then evaluate the results of the sample and whether it provided a reasonable basis for conclusions about the population that had been tested.

CAS 530, paragraphs 7–11 and 14–15

- The auditor did not obtain an understanding of the control environment, control activities relevant to the audit and an understanding of the information systems, including the related business processes, relevant to financial reporting.

CAS 315, paragraphs 14, 18 and 20

- When obtaining an understanding of controls that are relevant to the audit, the auditor did not evaluate the design of those controls and determine whether they were implemented.

CAS 315, paragraph 13

- The auditor did not make inquiries of management regarding management's assessment of the risk that the financial statements might be materially misstated due to fraud and their knowledge of any actual, suspected or alleged fraud affecting the entity.

CAS 240, paragraphs 17, 18 and 19

- As part of the risk assessment procedures, there was no documentation of discussion with those charged with governance regarding an understanding of how those charged with governance exercise oversight of management's processes and internal controls for identifying and responding to the risks of fraud and their knowledge of any actual, suspected or alleged fraud.

CAS 240, paragraphs 21 and 22

- The auditor did not identify and assess the risks of material misstatement at the financial statement level or at the assertion level for classes of transactions, account balances and disclosures.

CAS 315, paragraph 25

- The auditor did not document the reasons for concluding that the presumption of a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement.

CAS 240, paragraphs 26 and 27

- The auditor did not evaluate whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatement due to fraud. When assessing risk, the auditor shall consider whether unusual or unexpected relationships exist.

CAS 240, paragraphs 23 and 35

- Analytical procedures were not performed as part of the risk assessment procedures to obtain an understanding of the entity and its environment.

CAS 240, paragraphs 16 and 23; CAS 315, paragraph 6

## Review Engagements

- The public accountant did not adequately document whether the information being reported on is plausible in the circumstances within the framework of appropriate criteria. Such a review should consist of inquiry, analytical procedures and discussion as well as additional or more extensive procedures when the public accountant's knowledge of the business carried on by the enterprise, the results of the inquiry, analytical procedures and discussion cause him or her to doubt the plausibility of such information.

Section 8100, paragraphs 8, 15 and 19-24

- There was no documentation that the public accountant had formed a conclusion on compliance with independence requirements or whether appropriate procedures regarding the acceptance and continuance of the client relationship and the specific assurance engagement had been performed and the conclusions reached.

Section 5030, paragraphs 10, 15 and 18; CPA Code of Professional Conduct Rule 204.2, 204.3, 204.6

- There was no documentation to support the date of the public accountant's report. Because the reader is entitled to assume that the public accountant has performed sufficient procedures to that date to support the conclusion expressed in his or her report, the public accountant's report cannot be dated until the financial statements have been completed and management has acknowledged responsibility for them.

Section 8100, paragraph 30; AuG-47

- Management's written representations were not effective as of the date of the review engagement report or missing entirely.

Section 8200, paragraph 35

- Representation letters often did not include all required matters. The public accountant should obtain management's written representations regarding matters that are important to support the content of his/her report for all financial statements reported on. The letter should also specify the financial reporting framework.

Section 8200, paragraphs 31 and 33

## Compilation Engagements

- There was no documentation that the public accountant had considered whether there were any matters that would impair his/her independence. If any matters have been identified, the nature and extent of the impairment will need to be disclosed in the notice to reader communication.

CPA Code of Professional Conduct, Rule 204.10 (formerly Rules of Professional Conduct, Rule 204.9)

- The Notice to Reader communication was on a separate page of the financial statement package; however, each page of the financial statements was not conspicuously marked "Unaudited – See Notice to Reader."

Section 9200, paragraph 25

- The public accountant did not document in the file that an understanding and agreement with the client had been reached as to the services to be provided.

Section 9200, paragraph 16

## Financial Statement Presentation

An enterprise did not disclose all of the required information about its transactions with related parties, including, but not limited to:

- A description of the relationship between the transacting parties;
- The measurement basis used;
- The terms and conditions for the amounts due to or from related parties;
- A description of the transaction(s), including those for which no amount has been recognized; and
- The recognized amount of the transactions classified by financial statement category.

Part II, Section 3840, paragraph 51

- An entity did not disclose the carrying amount of any financial liabilities that are secured, together with the carrying amount of assets it has pledged as collateral for liabilities and the terms and conditions relating to its pledge.

Part II, Section 3856, paragraph 44

- When an enterprise applied the taxes payable method of accounting for income taxes, the financial statements did not disclose a reconciliation of the income tax rate or expense related to income or loss for the period before discontinued operations to the statutory income tax rate or the dollar amount that would result from its application, including the nature and amount of each significant reconciling item and the amount of unused income tax losses and unused income tax credits carried forward.

Part II, Section 3465, paragraph 88

- Disclosures of cash and cash equivalents did not include the policy adopted in determining the composition of cash and cash equivalents.

Part II, Section 1540, paragraph 43

- A debt obligation that was due on demand was inappropriately classified as long-term debt.

Part II, Section 1510, paragraphs 10, 12 and 13

- For preferred shares issued in a tax-planning arrangement, an entity did not disclose the amount for these preferred shares described as redeemable at the option of the holder, as a separate line item in the equity section of the balance sheet, together with the total redemption amount for all classes of such shares outstanding on the face of the balance sheet and the aggregate redemption amount for each class of such shares.

Part II, Section 3856, paragraphs 23 and 47

- The major categories of revenue recognized during the period were not disclosed separately by the entity.

Part II, Section 1520, paragraph 4; Section 3400, paragraph 33

- An enterprise did not disclose the revenue recognition policy for each material type of transaction.

Part II, Section 3400, paragraph 31

- An enterprise did not state prominently in the notes to its financial statements that its financial statements were prepared in accordance with Canadian Accounting Standards for private enterprises.

Part II, Section 1400, paragraph 16

- Amounts payable at the end of the period with respect to government remittances (other than income taxes) were not disclosed.

Part II, Section 1510, paragraph 15

*continued on page 8*

## Financial Statement Presentation

- There was no disclosure with respect to the significant risks arising from financial instruments for the entity, including credit risk, currency risk, interest rate risk, liquidity risk, market risk and other price risk. Disclosures shall include the exposures to risk, how they arise, concentrations of risk and any changes in risk exposures from the previous period. Significant risks arising from derivatives shall be disclosed separately.

Part II, Section 3856, paragraphs 53, 54 and A66

- For bonds, debentures and similar securities, mortgages and other long-term debt an entity did not disclose; the title or description of the liability; the interest rate; the maturity date; the amount outstanding, separated between principal and accrued interest; the currency in which the debt is payable if it is not repayable in the currency in which the entity measures items in its financial statements; and the repayment terms, including the existence of sinking fund, redemption and conversion provisions.

Part II, Section 3856, paragraph 43

- For revenues of a not-for-profit organization, other than revenues from contributions, the revenue recognition policy was not disclosed.

Part II Section 1505 paragraphs 3 and 6; Section 3400 paragraph 31; Part III, Section 4410, paragraph 10

The financial statements of a not-for-profit organization did not include a description of the organization's purpose, intended community of service, status under income tax legislation or legal form.

Part III, Section 4400, paragraph 4

- A not-for-profit organization did not disclose the policy followed in accounting for contributed materials and services and endowment contributions.

Part III, Section 4410, paragraphs 21 and 23

- Disclosure for each major category of tangible capital assets and in total did not include: cost, accumulated amortization and net carrying amount for beginning and end of period, additions and disposals in the period and amortization for the period.

PS, Section 3150, paragraph 40

- Disclosure about each of the government's segments did not include reconciliation of information disclosed for segments and consolidated information in financial statements, the basis for identifying segments, and segment revenue by source and type.

PS, Section 2700, paragraph 26

- The financial statements did not include or were not accompanied by an acknowledgement of the government's responsibility for their preparation.

PS, Section 1200, paragraph 5

## THANK YOU TO OUR MEMBERS!

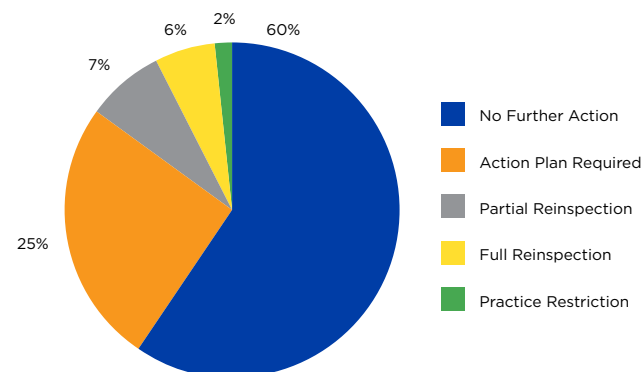
CPA Saskatchewan thanks our members and firms for their patience and understanding during our member licence, firm and PC renewal period, given the glitches and errors in the system. Your resilience is appreciated!

# 2017-2018 PRACTICE INSPECTION STATISTICS

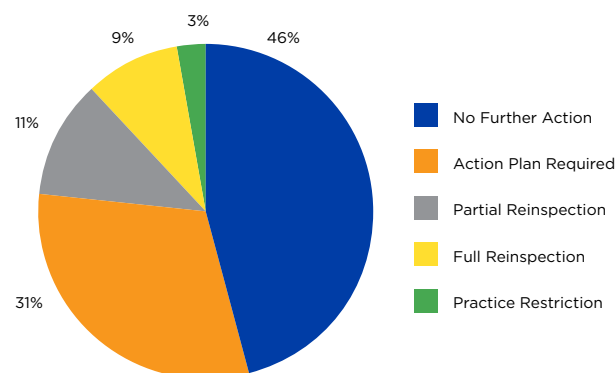
134 practice inspections (initial and reinspections) were completed in 2017-2018.

319 inspections were completed within the inspection cycle from April 1, 2015 to March 31, 2018.

## 2017-2018 Inspection Results



## Overall Inspection Cycle Results



The majority of firms inspected had results of no further action. This was partly due to a higher number of non-assurance firms included for inspection during 2017-2018. Non-assurance firms typically have a lower volume of deficiencies, as documentation requirements are fewer.

# INCREASED FOCUS ON THE FIRM'S SYSTEM OF QUALITY

Quality is so important. It is fundamental to the success of a firm, as it impacts the firm in many interrelated areas. In our last firm newsletter, we included an article called “Why A System of Quality Matters.” In this article, we focus on how an effective system of quality matters for your firm’s practice inspection.

For 2018-2019 inspections and onwards, we are shifting our focus to gain a better understanding of the firm’s system of quality. This process will be similar to an auditor gaining an understanding of internal controls. We expect an effective system of quality to translate into professional products in the marketplace that meet users’ needs while complying with respective standards.

The practice inspection starts with notification, including the request to complete an inspection questionnaire. We now include three parts to the questionnaire: Part I – General Firm Information, Part II – Quality Control Processes and Policies and Part III – CPA Candidate Training (as applicable). Part II contains several questions based on the quality control elements within CSQC1 – *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance Engagements*.

We will ask firms to identify areas within their system of quality that pose challenges. Some examples include whether:

- the firm has experienced ethical issues with its staff;
- there were any instances where the firm has had to decline an engagement; and
- the firm has completed its annual and cyclical quality control monitoring, including providing the Institute with the results and any actions taken.

The assigned inspector discusses each of the responses with the firm at the start of the inspection and may provide guidance or materials.

The firm’s response to these questions, combined with the on-site discussion, provides a preliminary indication of how the firm’s system of quality is functioning. This may result in a file selection on a more high-risk engagement or an engagement completed under a specific financial reporting framework. We may also be able to use this information to reduce the extent of our inspection file size—saving the firm time and money!

For more information about practice inspection or to obtain a copy of the practice inspection questionnaire, please email [monitoring@cpask.ca](mailto:monitoring@cpask.ca).

## CPA CANADA'S QUALITY ASSURANCE MANUAL (QAM)

Improve your firm’s quality control systems and save valuable time. The Quality Assurance Manual will help your firm comply with the specific requirements of the quality control standards as well as develop and document your own policy manuals and systems of quality control. For more information visit [cpacanada.ca](http://cpacanada.ca).





## MARK YOUR CALENDARS

### KEY DEADLINES

**February 15**

Member CPD reporting

**April 15**

Member renewal and fees

**December 1**

Firm, PC and licence renewal

### NOTIFICATIONS

**May**

Practice inspection

**November**

Firm, PC and licence renewal

Note something needing an update in your member or firm accounts online?

Contact us at [registrar@cpask.ca](mailto:registrar@cpask.ca) or [licensing@cpask.ca](mailto:licensing@cpask.ca).

**Firms, Professional Corporations and Licensed Members need to renew ANNUALLY!**

*Permits & licences expire on December 31.*

## A FIRM IS A MEMBER OR GROUP OF MEMBERS OFFERING SERVICES TO THE PUBLIC

Firm registration requirements upon application are:

1. Obtain approval from the Registrar on the name (email [registrar@cpask.ca](mailto:registrar@cpask.ca)).
2. Complete the application form, including:
  - demographic information about the firm (entity type, address, email address, etc.);
  - list of any operating names or associated practices;
  - a roster of all CPA practice leaders, members and candidates at the firm;
  - a listing of services to be provided;
  - a series of declarations to be signed by all practice leaders at the firm;
  - payment of firm fees; and
  - evidence of Professional Liability Insurance.
3. Receive approval from the Institute via the firm permit.

Practicing in corporate form? **You need a professional corporation!** Members who require a professional corporation have specific name and ownership restrictions and must provide a profile report upon renewal.

## LICENCES ARE FOR PRACTICE LEADERS SIGNING ASSURANCE REPORTS THAT REFERENCE THE CPA CANADA HANDBOOK AND ARE RESERVED TO CPAs

There are two types of licences in Saskatchewan: Comprehensive (all services) or Specified (other assurance, including review engagements). To be a licensed CPA, a member shall provide evidence of:

1. Successful completion in an education program obtaining depth in Assurance.
2. Eligible hours obtained as a member. The number of eligible hours required differs depending on the licence type:

	Comprehensive	Specified
Initial	1,250 hours in the practice of professional accounting over the last 5 years, with at least 625 of those hours in audit engagements.	1,250 hours in the practice of professional accounting over the last 5 years.
Renewal	1,250 hours in the practice of professional accounting over the last 5 years, with at least 625 of those hours in audit engagements.	625 hours in the practice of professional accounting over the last 5 years.

3. Continuing Professional Development hours differs depending on the licence type:

	Comprehensive	Specified
CPD hours	50 verifiable hours of CPD over a 3-year rolling cycle	25 verifiable hours of CPD over a 3-year rolling cycle

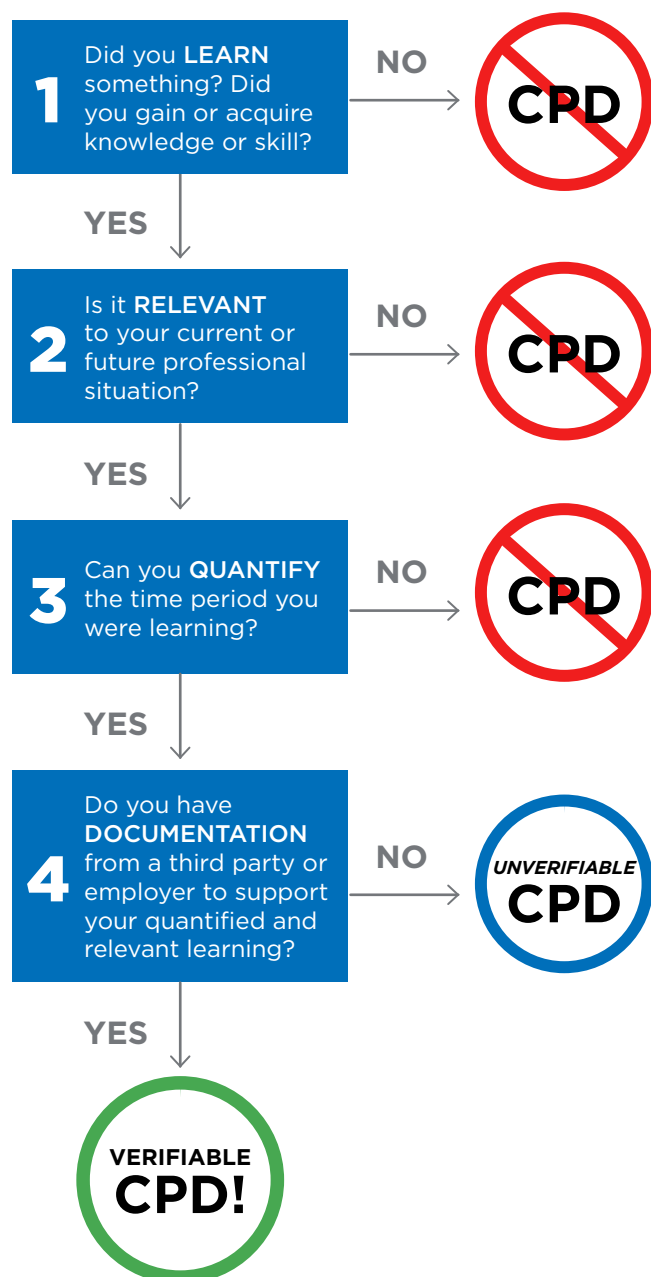
4. The competency assessment on a member licence has two parts:

- self-assessment by the member; and
- a certification from another equivalently licensed member.

*Note: on renewal, a licensed member may only provide a self-assessment to cover the competency assessment requirement.*

# REQUIREMENTS FOR VERIFIABLE CPD HOURS

Members continue to ask, “What is verifiable CPD?”  
Below is a decision tree to use when evaluating whether  
or not an activity would be verifiable.



Licensing professional development hours reported shall:

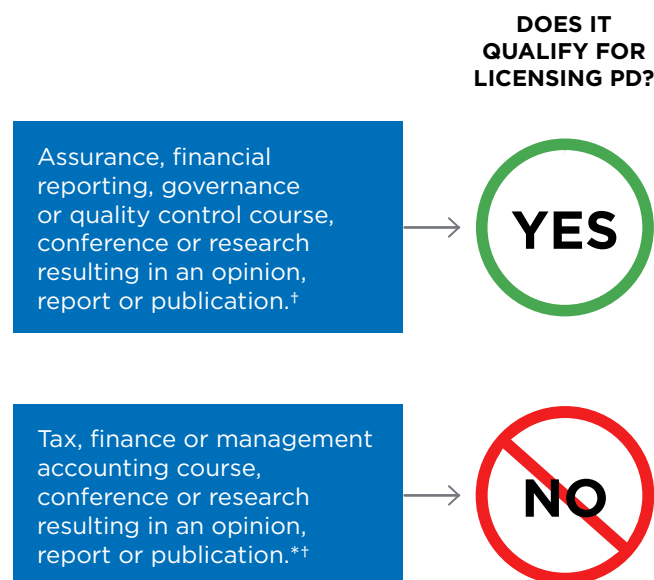
- relate to the practice of professional accounting; and
- be verifiable.

Professional accounting refers to services provided under the standards (i.e., CPA Canada Handbook) of the profession.

Below is a decision tree to help you determine whether your continuing professional development qualifies to be allocated to licensing.

**Professional judgement is necessary when making the allocation.**

All professional development reported is subject to verification by the Institute.



*\*However, a portion of the hours may qualify if PD covers assurance or financial reporting concepts.*

*†Verifiable CPD relating to research activities would require a log of preparation hours, verification from an employer or client and a copy of the research material for documentation.*



Become a workplace champion!  
Host a financial literacy workshop at your firm.  
[cpacanada.ca/flpractitioners](http://cpacanada.ca/flpractitioners)

## FINANCIAL **LITERACY**

# CPA CANADA'S FINANCIAL LITERACY PROGRAM HAS WORKSHOPS FOR EMPLOYEES AND CLIENTS

Help your employees and clients better manage their financials by requesting CPA Canada's no-cost, award-winning workshops for your firm.

Choose from CPA Canada's catalogue of over 40 no-cost financial literacy sessions. To host a session at your workplace, all you need to do is book a room, set a date and request a session online through CPA Canada. You can also choose to request a series of sessions for practitioners.

A local CPA member (who volunteers through the CPA Canada Community Connect program) will come to your workplace to present the session requested. Already a CPA Community Connect volunteer? You have the option to present the selected session yourself or in tandem with another local CPA volunteer.

Some of the more popular financial literacy sessions offered in the workplace include:

- Savings Strategies: Easy Concept, Difficult Reality
- Are You a Good Financial Role Model?
- Ten Healthy Habits of Financial Management
- How to Teach Your Kids About Money

- Planning for Retirement
- Effective Tax Strategies
- Fraud Protection

CPA Canada also offers sessions specific to small businesses, such as:

- Understanding Financial Statements
- Financial Ratios and Why They Matter
- Growth and Expansion: How to Best Grow Your Business
- A Healthy Balance Sheet and Why It Matters

### **Request a Session:**

Request a financial literacy session online at [cpacanada.ca/financialliteracy](http://cpacanada.ca/financialliteracy). If you know of any other community group—such as a library, school or community center—that can benefit from financial literacy sessions, you can encourage them to request a free session. There are financial literacy sessions designed for new immigrants, seniors and elementary and high school students, just to name a few.

November is Financial Literacy Month!

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