

CPA**SK**

# Focus FIRMS

The Institute of Chartered Professional Accountants  
of Saskatchewan Firm Newsletter | Spring 2022

## Firms Under Pressure

 **CPA**  
SASKATCHEWAN



## FIRMS UNDER PRESSURE

The theme of this issue came to us during a team meeting – wow, firms face a lot of pressure. Often, we wonder how CPA Saskatchewan can alleviate the pressure or, at the very least, guide professional service providers to resources to aid their practice. We know you're feeling the pressure of recruiting and retaining staff, managing health, dealing with clients, and complying with the ever-increasing and complex standards and regulations. This edition aims to provide knowledge and guidance to help lift the weight. And, if you ever need anything, please let us know.

Leigha Hubick, CPA, CA  
Registrar, CPA Saskatchewan



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### Disclaimer

The content within this newsletter is provided for informational purposes and is not an official interpretation of any applicable rules or standards.



A person in a blue suit is seated at a desk, with their hands resting on a stack of papers. The scene is dimly lit with a strong blue color cast. The text 'Pressure to Meet Changing Employee and Client Expectations' is overlaid in white, with 'Changing' and 'Expectations' in bold. A vertical white line is positioned to the left of the text.

# Pressure to Meet **Changing** Employee and Client **Expectations**



# OUTSOURCING CONSIDERATIONS FOR CPA FIRMS

Given the resourcing pressures that firms are currently facing, we've heard from some who are considering outsourcing or offshoring (outsourcing operations overseas) certain tasks. It is important to understand your responsibilities and obligations as a CPA firm when considering outsourcing as a potential solution. While some activities are feasible to outsource, all CPAs must practice the profession within the standards of professional conduct to protect their organizations and their clients. Your responsibilities as a CPA and your organization's responsibilities as a registered, licensed firm cannot be outsourced. Outsourcing and offshoring present some challenges that must be overcome in the following areas:

## CONFIDENTIALITY

A loss of control over information security should be considered in any outsourcing decisions. Transparency is key, and firms must ensure that clients know when their information is being utilized in another country that is

not subject to the same privacy legislation. Firms must communicate that they cannot guarantee full confidentiality or that there will be no unauthorized access to information provided. Specific items to consider in the engagement letter or service agreement with an outsourced provider include:

- Outsourced providers should only access firm and client data from a server located in Canada.
- Outsourced providers should not have the ability to download firm and client data onto their computers. If outsourced providers can download information onto their computers, it is important to consider and clearly outline data retention policies.

At a minimum, a firm should seek a legal opinion on the engagement letter or service agreement to ensure that they are aware of, and are managing, the confidentiality and privacy risks associated with outsourcing.

*continued on page 3*



## INTEGRITY & DUE CARE

CPAs at firms are responsible for all work that goes out the firm's door, regardless of whether an outsourced service provider completed that work. Clear governance and oversight responsibilities for outsourcing arrangements are very important to ensure that the firm maintains its integrity and due care. Firms must gain comfort over external service providers' ethics and business practices. Consider how the firm will:

- Monitor the performance of the outsourced provider. Consider whether performance-monitoring software would help manage the relationship.
- Set communication expectations for outsourced staff and processes for addressing any issues that arise. If necessary, consider choosing software that allows video calls to be recorded and saved.
- Ensure quality control/management standards continue to be met in making outsourcing decisions. Specifically, Canadian Standard on Quality Control (CSQC) 1 and the new Canadian Standards on Quality Management (CSQM) speak to the firm's general system of internal controls. The firm should understand, evaluate, and test outsourced service providers' controls.

## COMPETENCE

Firms are responsible for ensuring staff competence, including that of outsourced providers. Outsourcing arrangements must consider the maintenance of professional competence, including training, professional development, and supervision requirements. Specific considerations for outsourcing arrangements may include:

- Defined performance expectations and how the outsourced service provider will keep informed of developments in professional standards.
- Effective termination clauses allowing the firm to exit the outsourcing arrangement if competence is deemed not sufficient or training/professional development requirements are not met.
- The impacts that outsourcing may have on the knowledge retained in-house within the firm. If the firm loses internal process knowledge, how will the firm address a scenario where outsourced tasks are brought back in-house?

## MORE OUTSOURCING TIPS

International Federation of Accountants (IFAC) [Guide to Practice Management for Small- and Medium-Sized Practices](#) includes information on technology and the associated risks, including cybersecurity.

Note that CPA Saskatchewan has not reviewed for purposes of endorsing this external resource.

Reach out to CPA Saskatchewan at [monitoring@cpask.ca](mailto:monitoring@cpask.ca) if you have questions.





# HIRING AND RETENTION RESOURCES

From the recruitment and retention pressures brought on by “[The Great Resignation](#)”, to the increased need for professional accountants to meet the business needs of COVID recovery, we understand that firms may be feeling pressed for talent.

In this section, we’ve highlighted resources that may assist firms in crafting a thoughtful approach to their staffing needs.

## HIRING A CPA STUDENT OR CANDIDATE (“LEARNER”)

Employers of CPA learners experience the following benefits:

- A diverse skilled work force
- The flexibility to attract and retain employees by allowing them to learn and work at the same time through part-time CPA studies
- The ability to reward employees through support of and/or investment in their professional development

To learn more about the requirements to become a CPA in Saskatchewan, including the admission requirements and steps in the CPA Certification Program, interested parties can view CPA Saskatchewan’s interactive [On-Demand Information Session](#).

Contact CPA Saskatchewan at [becomeacpa@cpask.ca](mailto:becomeacpa@cpask.ca) or call us at 306-359-0272 if you have any questions.

## HIRING INTERNATIONALLY EDUCATED PROFESSIONALS

Newcomers to Canada are a valuable source of talent, and an internationally educated accountant could be the perfect fit for your firm. At CPA Saskatchewan, we are sometimes asked by employers whether an individual with international education is eligible to pursue the Canadian CPA designation.

To be admitted to the CPA Professional Education Program (CPA PEP), applicants require:

- an undergraduate degree or Masters’ degree
- completion of prerequisite learning
- 120 credit-hours or equivalent of education (30 credit-hours / academic year)
- evidence of good character

As a part of their admission application to the CPA Western School of Business (CPAWSB), applicants with international degrees submit a third-party credential evaluation by a recognized qualification assessment service. The CPAWSB assesses the applicant’s transcripts and determines whether they meet the requirements for entry into the CPA PEP or whether they must first complete some, or all, of the prerequisite learning.

*continued on page 5*

## HIRING AND RETENTION RESOURCES *continued from page 4*

Although most candidates achieve their CPA designation by completing the CPA Certification Program, including CPA PEP, agreements exist to allow members of recognized international accounting bodies to become Canadian CPAs or to offer members of recognized international accounting bodies an expedited pathway to obtaining their Canadian CPA designation:

- Reciprocal Membership Agreements (RMAs) and Mutual Recognition Agreements (MRAs)
- Memorandums of Understanding (MOUs)
- International Federation of Accountants (IFAC) member organizations

For more information on the pathways to the Canadian CPA designation for international designated professionals, visit CPA Canada's [International Credential Recognition webpage](#) or email us at [becomeacpa@cpask.ca](mailto:becomeacpa@cpask.ca).

### GUIDING CPA LEARNERS THROUGH THEIR EDUCATION PROGRAM: EXPERIENCE REQUIREMENTS

Now that you are interested in hiring a CPA learner, there are practical experience requirements to be aware of that learners must meet to earn the CPA designation. CPA candidates must complete a minimum of 30 full-time months (or equivalent part-time) of qualifying practical experience with the development of specific technical and enabling competencies. If you have questions about whether your organization can provide qualifying experience for CPA Candidates, please contact [practicalexperience@cpask.ca](mailto:practicalexperience@cpask.ca) or call us at 306-359-0272.

**\*Licensure** - Note that there are specific education and experience requirements in the CPA Certification Program that must be met if CPAs wish to be eligible to apply for a licence to practice professional accounting (i.e., authorize audits, reviews, other assurance and/or compilation engagement reports) in the province of Saskatchewan. If you have questions about licensing requirements, please contact [licensing@cpask.ca](mailto:licensing@cpask.ca).

### RETAINING EMPLOYEES – MENTAL HEALTH AND WELLNESS SUPPORT RESOURCES

Ensuring the health and wellness of your employees is key in preventing burnout and retaining skilled staff. The following resources are available to firms looking to support employee mental health and wellness:

#### CPA Canada | Practitioner's Portal

The [Practitioner's Portal](#) includes support for a wide range of practice matters, including free resources to assist practitioners in developing and implementing mental health and wellness initiatives to assist staff:

- Mental health policy framework for small to medium-sized practitioners (including sample policies and links to resources)
- You are not alone: How practitioners can approach the topic of mental health (2-part podcast series)

#### CPA Assist

[CPA Assist](#) provides confidential counselling services and 24/7 crisis support. The program is designed to help CPAs, candidates and their immediate families address mental illness, addictive behaviours, substance abuse and other personal or professional issues to ensure their well-being and the well-being of their communities, the accounting profession, and the public.

CPA Assist also offers a wide range of [resources](#), including resources to assist employers in addressing mental health and wellness in the workplace.

All Saskatchewan CPAs and CPA Candidates are automatically enrolled in CPA Assist. You are welcome to promote CPA Assist to your eligible staff and encourage them to seek help, if needed. Note that you can also call CPA Assist for advice on how to support someone who is experiencing difficult times.

Appointments are booked during regular business hours. Crisis support is available 24/7. Call the Confidential Support Line at 1-855-596-4222.

### RETAINING EMPLOYEES – REMOTE/HYBRID WORK ARRANGEMENTS

Technological advancements in recent years have allowed firms to deliver services to clients virtually. They have also allowed for increased flexibility in when and where CPAs can work for their employers. Embracing this flexibility could ease the pressure to retain highly skilled staff.

If you service clients located outside of Saskatchewan, it is important that you contact the CPA provincial body where your client is located to ensure you are compliant with the registration and licensure requirements of that province.



# POST-SECONDARY PROGRAM SPOTLIGHT

## **SASKATCHEWAN POLYTECHNIC BUSINESS ACCOUNTANCY POST-GRADUATE CERTIFICATE PROGRAM**

Saskatchewan Polytechnic's three-semester Business Accountancy post-graduate certificate program focuses on financial accounting, cost accounting, taxation, audit, and finance. Graduates have the practical accounting knowledge to hit the ground running, and they are well-suited for careers in public practice or industry. The program helps students prepare for the CPA designation by providing some of the prerequisite learning required for admission into the CPA Professional Education Program (PEP)\*.

For more details about Saskatchewan Polytechnic's Business Accountancy post-graduate certificate program, and their well-known Business Accountancy undergraduate diploma program, visit [saskpolytech.ca](http://saskpolytech.ca).

*\*Standing in the CPA PEP is determined by the CPA Western School of Business at the time of the Admission Application.*

Did you know? Saskatchewan Polytechnic has a free [Online Job Board](#)! Post your job opportunity today.



# CHARGING APPROPRIATE FEES

When a client engages a CPA for **professional services**, the CPA is free to set their fee in any manner they see fit. This could include hourly billing (the most common practice), value billing (a set fee for standard services), or contingent fees (sometimes acceptable). You should carefully consider the following factors in determining whether your professional fees are fair and reasonable:

- the level of training and experience of the persons engaged in the work;
- the time expended by the persons engaged in the work;
- the degree of complexity, risk, and responsibility that the work entails;
- the priority and importance of the work to the client;
- the value of the work to the client; and
- any other circumstances which may exist (e.g., fees fixed by a court or other public authority, fees in insolvency work, and the administration of estates and trusts which, by statute or tradition, are often based on a percentage of realizations and/or assets under administration).

A prospective client may wish to obtain some indication of the fee for a professional service before engaging a member or firm. Rule 214.1 states that a member or firm shall not quote a fee for any professional engagement unless adequate information has been obtained about the engagement. For example, in an assurance engagement, it would generally be necessary to become familiar with the prospective client's accounting policies and procedures and internal controls. In an accounting services engagement, it would generally be necessary to assess the prospective client's books and records and the application of the related accounting policies. A reasonable estimation of the fee would not be possible without becoming familiarized or making an appropriate assessment.

As per Rule 205, a registrant shall not sign or associate with any letter, report, statement, representation, or financial statement which the registrant knows, or should know, is false or misleading. Accordingly, you should not represent that specific professional services, in current or future periods, will be performed for either a stated fee, estimated fee, or fee range if it is likely that such fees will be substantially increased. You should advise the prospective client of that likelihood.

If you obtain work for a fee significantly lower than that charged by the predecessor, or that which was quoted by others, you should be aware of the possible perception that independence and/or quality of work could be impaired. Accordingly, you should be satisfied that a fee quoted to a client for the performance of professional services is sufficient to ensure that:

- independence, where required, will not be impaired;
- the quality of work will not be impaired; and
- due care will be applied to comply with all professional standards in the performance of those services.

Factors impacting a client's decision to retain the services of a CPA often extend far beyond a simple consideration of fees charged. A CPA's worth includes more than the value of the services they provide. It includes their dependability, trustworthiness, historical knowledge of the client's business and industry, and the quality of the relationship with the client. Often, clients will choose to continue a professional relationship based on these factors even if they could get a lower fee from someone else.

When CPAs carefully and thoughtfully establish fair and reasonable fees for clients and promptly communicate any unexpected revisions to these fees as the engagement proceeds, the potential for a complaint is reduced. The pressure, and perceived rationalization, to cut corners in the firm's system of quality management is also lifted.

Successful firms deliver high-quality service accurately and on time. Trusted advisors respond to client inquiries and concerns in a timely and comprehensive manner. Firm-wide quality management, including rigorous client acceptance and continuance processes and processes to establish fair and reasonable fees at the commencement of each engagement, is the most effective way to ensure you can comply with professional standards and meet your clients' expectations.



# MANAGING EVOLVING CLIENT EXPECTATIONS

*The mandate of the Institute is to protect the public. We aim to accomplish this by ensuring our registrants are competent and of good character. Our registrants want to ensure they remain competent and of good character, but can face challenging situations with their clients in delivering services. Whether the situation is an unreasonable request, a lack of receipt of timely information, or an inappropriate communication from a client, extra care and effort in the application of judgement is required when working with a client that becomes challenging.*

*To help make difficult decisions a little easier, we have provided some strategies that you can use to manage a difficult client or situation.*

## 1 SET EXPECTATIONS

Take care in the initial stages of a new engagement and whenever there is a change in an engagement. Set and clarify expectations about what the client will receive as an outcome, when this will be received, what the client is responsible for, and what the client can expect to pay. Setting and clarifying expectations translates into two critical success factors:

1. A thorough client acceptance and continuance policy that encompasses various client scenarios and sectors and is customized for your firm. The policy needs to specify when a client's requirements would no longer allow the firm to continue providing services to the client as well as standardized procedures for communicating that situation to the client.
2. An engagement letter that clearly outlines both the firm's and client's responsibilities, along with key deliverables, clearly set deadlines, and clearly defined information required from the client. Having a solid engagement letter can set the tone of the client relationship and go a long way toward resolving a dispute should any disagreements arise.

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# 2

### ADDRESS THE PROBLEM DIRECTLY

Deal upfront with typical areas of client dissatisfaction, such as meeting deadlines. Clients may become frustrated when an agreed deadline isn't met, but it could be that the client did not fulfill their obligation to provide information on time or in an organized, accurate and complete manner. Without expectations for the client to provide the information as agreed upon upfront, clients may not have a realistic appreciation for the time it takes to perform the work. Then, any unexpected costs resulting from the delay become hard to capture. If there are potential risks that would affect your ability to provide the services, discuss them with the client early and advise them of the potential consequences or outcomes.

# 3

### DOCUMENT KEY COMMUNICATIONS AND CORRESPONDENCE

Always document, in writing, all key communications and correspondence within the engagement file, including emails, text messages, notes from phone calls and voice mail messages (be sure these are dated), etc. Too often, people hear what they want to hear and then become upset when they 'misheard.' If you keep detailed records of communications, you can refer back to them to clarify any misunderstandings.

Despite your best efforts to manage expectations, if you are faced with an unreasonable client, always remember:

1. Listen carefully to the client's concerns to ensure you fully understand their issue before deciding that the client is unreasonable.
2. Don't take it personally. Keep calm and remember that, in most cases, a person is being unreasonable for reasons completely unrelated to you.
3. Identify what you could, and could not, do to resolve the issue and why – was there a dispute over cost? Was the request from the client going to result in a violation of rules or standards?
4. Communicate clearly and promptly. It is tempting to postpone a conversation that you know will be difficult. Delaying the conversation seldom improves the situation. At the same time, resist the urge to respond in the heat of the moment. Carefully consider how others may perceive your response and take the time you need to remain professional.
5. Regardless of how unreasonable a client is, if you terminate the engagement, you have a responsibility to assist them in carrying on their affairs with a successor accountant. Ensure that client records are returned and that communication with the successor accountant occurs within a reasonable timeframe and in accordance with Rule 251 and the related guidance. Take care to document the process you use to do this, such as signed control sheets.

# PROVIDING ADDITIONAL AUDITOR REPORTING FOR CLIENTS

*This article was written and originally published by CPA British Columbia and has been republished by CPA Saskatchewan with amendments and permission.*

We understand there is a trend by various third parties, including regulators, to request additional reporting on certain items or matters, in addition to the traditional services that you offer. This highlights that CPAs, as trusted independent professionals, are well positioned to provide clients and third parties with services outside of the traditional offerings of audit, review, and compilation engagements. We expect the requests for audits, reports, certification, or some form of “comfort” will only increase.

Third-party requests often use terminology (such as “certify,” “agree,” “provide comfort,” “affirm,” or “examine”) that does not clearly align with the terminology in the *CPA Canada Handbook*. In some cases, the terminology is used without clear guidance on what is expected within the engagement. For example, these requests might call for procedures such as “confirm reporting is in accordance with agreement/regulation” or “examine in accordance with generally accepted auditing standards.”

Since the adoption of the Canadian Auditing Standards in 2010, continued evolution in Canadian assurance standards has provided the flexibility that you need to report on a significant array of financial and non-financial information.

## ADDITIONAL REPORTING BY AUDITORS

When such requests are received, it is your responsibility to ensure the reporting and the work performed, including documentation, are compliant with the requirements of the appropriate *CPA Canada Handbook – Assurance* standards. You should consider how you will report when a request is received to sign a form or document which includes the unusual terminology noted above.

In Saskatchewan, we understand that a significant portion of the third parties who request additional information are government agencies or other regulators. The reports

issued will differ based on the type of information and level of assurance each third party is requesting. The table below includes examples of the most common assurance standards being applied to meet the reporting requirements of various third parties.

<i>CPA Canada Handbook</i>	Example of reports
CSRS 4400 Agreed-upon procedures engagements	Accountant’s report for the Law Society of SK
CAS 805 Special considerations – <i>Audits of single financial statements and specific elements, accounts or items of a financial statement</i>	Elections Saskatchewan candidate election returns

If you are asked to sign any unusual third-party reports or you are unsure which standard(s) could apply to a special reporting engagement, consider the special reporting options outlined below or email [monitoring@cpask.ca](mailto:monitoring@cpask.ca).

## SPECIAL REPORTING CONSIDERATIONS

You may be asked by clients or third parties to perform special reporting engagements outside of their standard practice. As there are many different types of special reporting engagements with varying assurance levels, confusion sometimes exists concerning who the client is, what standards are appropriate for the engagement, the nature of the reporting requirements, and your responsibilities. Before accepting such engagements, you may want to consider the following:

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### Understand the Engagement Request

You need to fully understand the scope of the engagement, who your client is, and to whom they will be reporting. Sometimes the requests can be unclear, and confusion may arise if the requirements are not fully understood. Third parties may not have sufficient knowledge of the *CPA Canada Handbook* and the various standards. Often, they rely on you, the practitioner, to use professional judgement when interpreting the request and applying the correct standards. If the third party provides guidance, it may be outdated (e.g., they may reference an outdated report or use incorrect terminology in their request). Consequently, you should perform your due diligence to apply the correct standards.

If a request is unclear, you may need to go back to the third party or the client to obtain further information to clarify the request. You should have a clear understanding of the request, the subject matter you are asked to report on, and the level of assurance requested.

### Competency and Licence Required to Perform the Engagement

Once you have a clear understanding of the engagement, you should consider the subject matter being reported on and assess your professional competency in the area. You should also ensure that you have the required professional accounting licence to perform the engagement. For example, suppose you are asked to provide an attestation or verification. In that case, this is a form of assurance, and you must hold a comprehensive or specified professional accounting licence.

### Determine Which Standards Are Applicable to the Engagement

The next step is determining which professional standards are to be used for the engagement. It is important to exercise professional judgment and to ensure that you are using an updated version of the *CPA Canada Handbook* to reach a conclusion in light of the facts and circumstances of the engagement.

CPA Canada has developed a [Roadmap to the CPA Canada Assurance Handbook Tool](#) to assist you. The Roadmap is an interactive tool used to help identify which professional standards to use when providing services. The Roadmap should be used along with the [Guide for Practitioners: Roadmap to the CPA Canada Handbook – Assurance tool](#). The Guide is meant to assist you in using the Roadmap as it includes instructions and other guidance.

### Determine the Assurance Level Required

You may be asked to provide various levels of assurance, ranging from no assurance to limited assurance (review) to reasonable assurance (audit). The Roadmap and Guide referenced above provide definitions of the various levels of assurance.

### Accept or Decline the Engagement

Finally, before proceeding with the engagement, you should take a step back and ensure the following:

- you fully understand the engagement;
- you have both the technical competencies and the relevant experience required to perform the engagement;
- you hold an appropriate professional accounting licence; and
- you have determined the relevant professional standards to be applied.

## ADDITIONAL RESOURCES

CPA Canada has published some relevant resources that may be helpful in working through these options:

- [Navigating the CPA Canada Roadmap Tool: Assurance standards for your engagements](#)
- [Guide for practitioners: Roadmap to the CPA Canada Handbook – Assurance tool](#)
- [Roadmap of the CPA Canada Assurance Handbook](#)
- [Audit and assurance summary resource guide](#)



# Pressure to **Comply** with Evolving Professional Standards and **Stay Current** on Regulation





# A SNAPSHOT OF THE COMPILATION LICENSING REQUIREMENTS

The new compilation engagement standard (Canadian Standard on Related Services 4200 – Compilation Engagements or CSRS 4200) became effective for fiscal years ending on or after December 14, 2021. CSRS 4200 replaces Section 9200; therefore, CPAs are **not permitted** to issue Notice to Readers for applicable engagements after the effective date.

As the new compilation engagement report references the CPA Canada Handbook, compilation engagements are now categorized as the Practice of Professional Accounting as defined in Section 18 of *The Accounting Profession Act*. As a result of this change, a new tier of licensing for the provision of compilation engagement services is now effective with CPA Saskatchewan.

Unlicensed members must apply online for a compilation licence before carrying out CSRS 4200 engagements. In the application, there are three main requirements:



For more details on CSRS 4200, please access your Knotia account online and the available resources through [CPA Canada](#).

Licences available for carrying out assurance engagements in Saskatchewan:



For more information on licensing, please see our [website](#). If you aren't sure whether licensing applies to you, please contact us at [licensing@cpask.ca](mailto:licensing@cpask.ca).

# UPDATE ON TA-5 REPORTING

Canadian Standard on Related Services (CSRS) 4400 – Agreed-upon Procedures Engagements became effective in Canada for engagements for which the terms are agreed upon on or after January 1, 2022.

CSRS 4400 replaces:

- Section 9100, Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements
- Section 9110, Agreed-Upon Procedures Regarding Internal Control over Financial Reporting

CSRS 4400 addresses the practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement, including the form and content of the agreed-upon procedures report. The new guidance applies to the performance of agreed-upon procedures engagements on financial or non-financial subject matters.

While CSRS 4400 engagements may be completed for a wide variety of uses, the most common engagement completed under this standard in Saskatchewan is the Lawyer's Trust Account reporting through the Law Society of Saskatchewan.

CPA Saskatchewan recently worked with the Law Society of Saskatchewan to update their Form TA-5: Accountant's Report and related guidance to comply with Canadian Standard on Related Services (CSRS) 4400 and to reflect that no assurance is provided through these engagement procedures.

If you have any questions as you work with the TA-5 and other similar engagements within CSRS 4400, please reach out to [monitoring@cpask.ca](mailto:monitoring@cpask.ca).

For further guidance on CSRS 4400, [click here](#).

## CSQM STANDARD REMINDER

The three new and revised Canadian standards on quality management at the firm and engagement level are:

**Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements***

**CSQM 2, *Engagement Quality Reviews***

**Canadian Auditing Standard (CAS) 220, *Quality Management for an Audit of Financial Statements***

Reminder for firms applying these standards:

- Firms are required to design and implement their system of quality management for **audits or reviews of financial statements or other assurance engagements** by December 15, 2022 and evaluate their system within one year following this date.
- Firms are required to design and implement their system of quality management for **related services engagements** by December 15, 2023 and evaluate their system within one year following this date.

Quality  
management  
guidance  
resources

New Quality  
Management  
Standards  
Implementation  
Tool



## UPCOMING CHANGES IN STANDARDS

Canadian Audit Standards (CAS) 600 on Group Audits: Issuance in the Handbook is expected for August 2022. Learn more [FRASCanada.ca](https://FRASCanada.ca).



## FRAS CANADA ONLINE COMMUNITY PLATFORM

*Connect.FRASCanada.ca – Setting great standards, together*

Connect.FRASCanada.ca is Canada's accounting and auditing standards boards' online community platform. It's an easy-to-use way to give your feedback on new and amended standards, take part in post-implementation reviews, submit issues for discussion at a committee meeting, and much more. [Register today!](https://connect.frascanada.ca)

## REMINDER: CAS 315, RISKS OF MATERIAL MISSTATEMENT

The revised CAS 315 came into effect for periods beginning on or after December 15, 2021. This is a significant amendment to standards that firms need to be aware of. View CPA Canada's [implementation tool](#) to learn more.





# **Group Employee Benefits For CPA Firms.**



**CPA** INSURANCE  
PLANS WEST

**No Matter The  
Age Or Stage  
Of Your Firm,  
We Are Here  
For You.**

**We Will Help  
You Get The  
Right  
Insurance For  
Your  
Employee's  
Needs.**

**Call  
1-800-661-6430  
To Speak With  
An Advisor  
Today!**



# | Pressure to **Avoid** Conduct Matters





# MATERIALITY BRAWN VS. BRAIN

*This article was written and originally published by CPA British Columbia and has been republished by CPA Saskatchewan with amendments and permission.*

We observe and understand the complexities in determining materiality both upon practice inspection and through inquiries received from firms. Below is guidance for you to consider when determining materiality on your next audit or review engagement.

Whether you are undertaking a review or an audit engagement, materiality is the backbone that provides structure to the engagement. Without it, the engagement would lack direction and focus. Materiality is the threshold above which misstatements in the financial statements could reasonably be considered to influence a user's decisions. Determining materiality for an engagement requires professional judgement and a consideration of both quantitative and qualitative factors. In determining the "appropriate" materiality, one would need to employ both brawn and brains. However, there are times when the pendulum swings too far in one direction.

## BRAWN

Both CSRE 2400 and CAS 320 state, "a percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole". While this is a short sentence, there are several key phrases to note:

- "Often" – notes that this is not always the case.
- "Chosen benchmark" – refers to brainpower exerted to determine the best benchmark to apply.
- "Starting point" – notes that this is only the beginning of the materiality consideration and that there is more to follow.
- "Financial statements as a whole" – indicates that this first step in determining materiality at the financial statement level.

Determining materiality is key to the engagement. This determination should not just be a brute force calculation (multiplying the benchmark by a percentage). Materiality needs to remain top of mind during the engagement, and

it should be re-evaluated throughout as circumstances may change during the engagement. In some situations, practitioners may also need to set a specific level of materiality for individual financial statement balances or disclosures. When determining materiality, apply professional judgement and consider and document all available and relevant factors.

## BRAINS

Besides the mechanical calculation of materiality, qualitative factors also need to be considered, including disclosure requirements. [The Professional Engagement Guide](#) (PEG) forms start with identifying the users of the financial statements and factors that would influence their decision-making, then they continue with the following qualitative factors as examples: profitability trends, regulations, particular sensitivities, compliance with covenants, users' expectations, business combinations, etc.

## BRAWN AND BRAINS

All the considerations above result in the determination of materiality. Materiality is used when designing procedures for the engagement and evaluating the results obtained from the procedures. A materiality that is either too high or too low can lead to engagement issues. Guidance usually notes that an excessively high materiality can result in an incorrect opinion. Further, if materiality is too high, resulting in many financial statement account balances being subject to limited or no engagement procedures, there is a risk that misstatements are not detected. Inversely, the dangers of a materiality that is too low are less obvious, namely:

- increased work effort;
- information obtained during the engagement could result in a revised materiality and additional procedures to be considered;
- individual or aggregated uncorrected misstatements become material faster;
- self-interest threat given the increase in the extent of the work without a corresponding increase in the audit fee; and
- undetected misstatements become material faster.

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While the first four can be managed during the engagement, the last one, arguably the most dangerous to you as a practitioner, cannot. Whenever material misstatements are identified after the completion of the engagement, the situation usually escalates quickly. Such material misstatements that are undetected could result in:

- the engagement being an engagement failure
- inappropriate reliance by a user on materially misstated financial statements
- harm to the public
- potential legal issues for the firm, including being sued or having to go through the courts
- the firm being unsuccessful in practice inspection (resulting in the firm being required to undergo re-inspection)

It is vital to ensure that the engagement team considers materiality carefully so that it is not too high, not too low, but just right, based on a thorough analysis of quantitative and qualitative factors affecting the users of the financial statements.

### PRACTITIONER'S PORTAL

Find resources to advance your career, learn about the latest technical changes and enhance your skillset with useful tools such as:

- The Professional Engagement Guide (PEG)
- Audit Quality and Tax Blogs
- Podcasts
- Webinars and e-learning

Find all of this and much more at [practitioners.cpacanada.ca](https://practitioners.cpacanada.ca).

### SIGNATURE OPTIONS AVAILABLE TO FIRMS

Firms are issuing a variety of reports and letters to clients. As a reminder, the signature within these documents must not be false or misleading. The following are some acceptable signature options:

- [FIRM NAME] (and with professional corporation denoted if operating as such)
- [CPA NAME], CPA or Chartered Professional Accountant
- [FIRM OPERATING NAME], operating as [FIRM NAME] or [PROFESSIONAL CORPORATION NAME]

#### Did you know?

As a licensed member, you can use “Licensed Professional Accountant” behind your name:

[NAME], Licensed Professional Accountant

We encourage our licensed members to denote their name this way!



# RETRACTING AND REISSUING ASSURANCE REPORTS

*This article was written and originally published by CPA British Columbia and has been republished by CPA Saskatchewan with amendments and permission.*

In Saskatchewan, we have noted a recent increase in the number of inquiries received from firms seeking guidance on the steps necessary to retract and reissue assurance engagement reports. At times, facts and information may arise after an engagement report is dated. Below are some steps to help navigate these scenarios. Further guidance on reporting implications can be found in the following resources for audits and reviews, respectively:

- [Auditor reporting guide: Reporting implications of Canadian Auditing Standards \(CAS\)](#)
- [Reporting implications of CSRE 2400](#)

The standards that relate to the retracting and reissuing of assurance engagement reports are those that discuss work on subsequent events. The specific requirements are divided into three scenarios, depending on timing:

1. Events occurring between the date of the financial statements and the date of the report;
2. Facts which become known to the engagement team after the date of the report but before the date the financial statements are issued; and
3. Facts which become known to the engagement team after the financial statements have been issued.

This article focuses on scenarios #2 and #3, where possible retraction and reissuance of the financial statements and report could occur.

The Canadian Standard on Review Engagements (CSRE) 2400 discusses scenarios #2 and #3 in paragraphs 61 through 67, while the Canadian Auditing Standards (CAS) covers these scenarios in CAS 560 paragraphs 10 through 17. While there are many similarities between the requirements under both scenarios, even when comparing review and audit engagements, there are important differences to be aware of. Relevant differences are identified in the discussion below.

Canadian Standard on Related Services – CSRS 4200 - Compilation Engagements contains guidance on facts that become known after the compiled information is issued

within paragraphs 36-38. The focus of this article is on assurance engagements; however, additional guidance for compilations can be found in the [Practitioner's Implementation Tool](#).

## Facts which become known to the engagement team after the date of the report but before the date the financial statements are issued (Scenario #2)

### A – Always applies

If you become aware of a fact that may cause you to amend the report, you shall discuss this matter with management and those charged with governance (TCWG) and determine if the financial statements need amendment.

### B – Amendment is applied

If the financial statements are amended, you should inquire how management intends to address the matter in the financial statements, and either:

- Extend the procedures on subsequent events to the new report date and provide a new report on the amended financial statements; or
- Extend the procedures on subsequent events, solely restricted to the amendment described in a note to the financial statements, and amend the report to include an additional date restricted to that amendment (often referred to as “dual dating”<sup>[1]</sup>). An example of how to include an additional date restricted to the amendment would be “March 31, 20X1, except as to Note Y, which is as of April 15, 20X1”. Additionally, explain in an Emphasis of Matter or Other Matter paragraph that the procedures on subsequent events are restricted solely to the amendment and more extensively discuss the reason for the amendment.

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### C – No amendment is applied

If the financial statements are not amended, and you believe that they should be, you shall:

- Modify the opinion and then provide the report to management and TCWG (only possible if the report has not yet been provided to the entity); or
- Notify management and TCWG not to issue the financial statements to third parties before the financial statements and report have been amended. If the financial statements are issued without the amendments, you shall take appropriate action to seek to prevent reliance on the report. See the discussion below on what such appropriate action would be.

### Facts which become known to the engagement team after the financial statements have been issued (Scenario #3)

#### A – Always applies

Procedures for when you become aware of the facts are the same as under scenario #2 discussed above.

#### B – Amendment is applied

Procedures where financial statements are amended are the same as under scenario #2 discussed above. In addition, you shall take appropriate action to seek to prevent reliance on the report. See the discussion below on what such appropriate action would be.

#### C – No amendment is applied

Where management and TCWG intend not to amend the financial statements, you shall take appropriate action to seek to prevent reliance on the report. See the discussion below on what such appropriate action would be.

### Appropriate Action to Seek to Prevent Reliance

In the various circumstances discussed above<sup>[2]</sup>, you shall take appropriate action to prevent reliance on the report included in the previously issued financial statements (without amendments).

Where financial statements are issued before they are amended, it is best practice to advise management to inform users that the financial statements and report were

amended and to provide those amended financial statements and report to the users. In addition, for audits, you shall and for reviews it is best practice to review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements is informed of the situation.

If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation, you shall notify management and TCWG that you will seek to prevent future reliance on the auditor's report.

Your course of action to prevent reliance on the report on the financial statements depends upon your legal rights and obligations. You may consider it appropriate to seek legal advice.

### Predecessor Communication

Where the prior period was reviewed or audited by a predecessor, and you become aware of a fact that may cause the prior period report to be amended, similar procedures to those discussed above under “appropriate action to seek to prevent reliance” should be followed, with the addition of discussions with the predecessor.

In some circumstances, the predecessor may be engaged to reissue the report on the amended prior period financial statements, or, in rare circumstances, you will be engaged to perform a review engagement on the amended prior period financial statements. The predecessor may be unable or unwilling to reissue the report on the amended prior period financial statements. An Other Matter paragraph of the report is required and may indicate that the predecessor reported on the financial statements of the prior period before amendment.<sup>[3]</sup>

### FOOTNOTES

1. CSRE 2400.62 and CAS 560.11-.12. CAS 560.12 discusses that depending on law, regulation, or financial reporting framework management might be prohibited from restricting the amendment to the effects of the subsequent event. Per [Reporting implications of CSRE 2400](#), in Canada, Parts II to IV of the CPA Canada Handbook, do not prohibit such a restriction. For Part I (IFRS) the practice globally is not consistent.
2. Scenario #2 item C and scenario #3 item B and C
3. [Reporting implications of CSRE 2400](#) page 69 and [Reporting implications of Canadian Auditing Standards](#) page 106



# REGULATORY NOTICES RELATING TO LICENSING

CPA Saskatchewan publishes licence cancellations (either voluntary through the renewal process or through noncompliance with regulatory requirements) and licence restrictions as part of its obligations under Bylaw 34.2.

This information is made available to the public, including through this firm newsletter, so that the public is aware of members and firms who are no longer authorized to practice professional accounting or have restrictions on their ability to practice professional accounting in Saskatchewan.

A member licence may be voluntarily cancelled at any time throughout the year or at the time of licence expiry (i.e. December 31 annually) when that member no longer authorizes assurance or compilation engagement reports in Saskatchewan. When there are no longer any licensed members at a firm, the firm's licence is cancelled at the same time.

A member licence may be cancelled through regulatory processes by the Registrar in the following situations as outlined in Regulatory Board Rule 333.8:

- (a) The licensed member is suspended or ceases to be registered;
- (b) The licensed member dies or becomes incapacitated;
- (c) The licensed member does not renew its licence;
- (d) The licensed member voluntarily cancels their licence by submitting in writing a request for cancellation including a declaration that the licensed member has ceased to practice professional accounting.

A firm licence may be cancelled through regulatory processes by the Registrar in the following situations as outlined in Regulatory Board Rule 333.9:

- (a) The firm is suspended or ceases to be a registered firm of the Institute;
- (b) The firm no longer has a licensed member;
- (c) The licensed firm voluntarily cancels their licence by submitting in writing a request for cancellation including a declaration that the licensed firm has ceased to practice professional accounting.

The Professional Practice Committee has the authority to cancel a licence for any matter not specified above.

The members and firms listed are no longer permitted to authorize the release of any assurance engagement reports or compilation engagement reports in Saskatchewan after the effective date noted.

### Member licence voluntarily cancelled

*Effective upon licence expiry at December 31, 2021*

Grant Julian Bossaer, CPA, CA (Comprehensive)  
Lawrence Allan Cooper, CPA, CA (Comprehensive)  
Judy D. Ferguson, FCPA, FCA (Comprehensive)  
Krista Lee Horwath, CPA, CA (Comprehensive)  
Mark James Lang, FCPA, FCA (Comprehensive)  
Carol Irene Mailloux, CPA, CA (Comprehensive)  
Danielle René Peace, CPA, CA (Comprehensive)  
Gordon Martin Stewart, FCPA, FCA (Comprehensive)  
Kevin Lindsay Stewart, CPA, CGA (Comprehensive)  
James Ryan Stewart, CPA, CA (Comprehensive)  
Ian Wellington Wallace, CPA, CA (Comprehensive)  
William James Clements, CPA, CA (Specified)  
Bradley John Gee, CPA, CMA (Specified)  
Donna M. Greif, CPA, CGA (Specified)  
Gordon Donald Kwong, CPA, CMA, CA (Specified)  
Donald J. Stewart, CPA, CMA (Specified)

### Firm licences voluntarily cancelled

*Effective upon licence expiry at December 31, 2021*

W E Woolley CPA Prof. Corp. (Comprehensive)  
Clements Kwong Chartered Professional  
Accountants (Specified)

### Member and firm licences cancelled through disciplinary processes

*Effective June 1, 2022*

Rakesh Kaushik, CPA, CA (Compilation)  
DNTW Chartered Professional Accountants  
LLP (Compilation)

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## LICENSING NOTICES *continued from page 22*

### Member and firm licences cancelled through regulatory processes

*Effective November 10, 2021*

Brian Neil Humble, CPA, CMA, CA (Comprehensive)  
Brian N. Humble, Chartered Professional Accountant,  
Prof. Corp. (Comprehensive)

### Member and firm licences voluntarily cancelled after January 1, 2022

*Effective February 18, 2022*

Michele Cruise-Pratchler, CPA, CGA (Compilation)  
Michele Cruise-Pratchler, Chartered Professional  
Accountant (Compilation)

*Effective April 6, 2022*

Carey Nicholson, CPA, CA (Comprehensive)



The Institute of Chartered Professional Accountants of Saskatchewan

### NOTICE OF MEMBER and FIRM LICENSE RESTRICTION

On April 5, 2022, in accordance with Bylaw 31.1 and Rule 331.1, the Professional Practice Committee of the Institution of Chartered Professional Accountants of Saskatchewan imposed a license restriction of the following member and firm:

**JEFF D. TIFFIN, CPA, CGA**

**JEFF D. TIFFIN, CPA, PROFESSIONAL CORPORATION**

The license of this member and firm has been restricted such that the member of the firm shall engage a licensed monitor approved by CPA Saskatchewan. The licensed monitor shall carry out a complete file review of all audit engagement documentation and authorize the release of all audit engagement reports by the firm in Saskatchewan after April 5, 2022.

Authorized by:  
Leigha Hubick, CPA, CA  
Registrar

April 12, 2022

CPA Saskatchewan Focus on Firms

## Call for Authors

If you would like to author an article for a future version of this newsletter, we would be happy to hear from you.

Contact [monitoring@cpask.ca](mailto:monitoring@cpask.ca)



## DISCIPLINE NOTICES

MORRISON, GILLIAN FAE

### Notice of Discipline Committee Decision and Order Case #1903-38

Following the receipt of a Formal Complaint made by the Professional Conduct Committee, the Discipline Committee held a hearing regarding the conduct of Gillian Fae Morrison, CPA, CA ("Morrison") on April 5, 2022. The Discipline Committee determined that Morrison was guilty of professional misconduct as defined in section 26 of The Accounting Profession Act ("the Act") in that her conduct breached Bylaws 200.1(a) and 200.2 of the CPA Saskatchewan ("CPASK") Bylaws and Standards of Professional Conduct.

Rules of Professional Conduct 202.1 (integrity and due care components) are relevant.

The context in which the Formal Complaint arose is that Morrison, as a registrant, prepared and provided financial information to two related clients over a period of three years. During the relevant years Morrison was a practice leader.

Specifically, the Discipline Committee found that Morrison, as the practice leader of a firm in respect of services provided to two clients between October 2015 and December 2018:

1. Did not take reasonable steps during the provision of services to ensure the reasonable reliability of the client's bookkeeping and accounting records.
2. Did not provide requested client financial information to another registrant firm, which was engaged to provide review engagement services, within a reasonable time or in a substantively complete manner.
3. Did not file several of one of the client's GST Returns by the due date or a reasonable time thereafter. Further, when preparing GST Returns on behalf of the client, reported input tax credits significantly less than the amounts the client was eligible to claim. Upon application by another registrant firm approximately one hundred thousand dollars was refunded to the client.
4. Did not apply for a rebate of overpaid PST on behalf of one of the client's even though she was explicitly aware of this significant overpayment. Upon application by another registrant firm approximately one hundred thousand dollars was refunded to the client.
5. Failed to consider whether the clients were associated with other related companies and how the "Small Business Deduction Limit" should be allocated among the clients and associated companies resulting in the potential underpayment of income taxes.
6. Did not document her communication with the clients with respect to the taxation filing requirements.

The Discipline Committee issued the following Order:

- The registrant complete ten (10) hours of verifiable continuing professional development in the following areas:
  - Practice Management; and
  - Sales Taxes.

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## DISCIPLINE NOTICES

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With the courses to be approved by the Registrar prior to beginning the course. The registrant is responsible to report and declare the verifiable continuing professional development in the provided tool before the deadline. Proof of attendance at the verifiable continuing professional development is required;

- The registrant receives and acknowledges a reprimand signed by the discipline hearing panel chair;
- The registrant pay a fine of in the amount of seven thousand five hundred dollars (\$7,500.00);
- The notice of the Decision and Order be published in the CPA Saskatchewan member and firm newsletters and posting on the Institute's website on a named basis with a summary of the professional misconduct and sanction and a link to the Decision and Order.

The Panel orders that no cost be assessed to the registrant based on the joint submission.

The text of relevant bylaws and rules of professional conduct:

### **Bylaws**

- 200.1 Practice of the profession or services provided as a Chartered Professional Accountant shall be performed within the context of the following standards of conduct:
- (a) integrity;
  - (b) objectivity;
  - (c) competence
  - (d) confidentiality
- 200.2 A registrant or suspended registrant shall, at all times, exercise appropriate moral behavior and shall comply with the laws of Canada and the province in which they reside or in which they provide professional services.

### **Rules**

#### *Integrity and Due Care*

- 202.1 A member, student or firm shall perform professional services with integrity and due care.

A copy of the Decision and Order dated May 12, 2022 is available on our website.

This notice is issued pursuant to Bylaw 49.1 and the terms of the Order.

Authorized by:  
Leigha Hubick, CPA, CA  
Registrar  
CPA Saskatchewan

May 31, 2022



We live and work on lands covered by Treaties 2, 4, 5, 6, 8, and 10. These are the territories of the Anihšīnāpēk/Saulteaux, Dakota, Dene, Lakota, Nakoda, nêhiyaw/Plains Cree, néhinaw/Swampy Cree, nehithaw/Woodland Cree, and Stoney Nations. They are also the homeland of the Métis/Michif Nation. We pay our respects to the First Nations and Métis ancestors of this place and reaffirm our relationship with one another.

We respect and honour the Treaties that were made on all territories, we acknowledge the harms and mistakes of the past, and we are committed to moving forward in partnership with Indigenous Nations in the spirit of reconciliation and collaboration.