

New standard issued by the Auditing and Assurance Standards Board of CPA Canada: CSRE 2400, *New review engagement standard*

The Canadian Standard on Review Engagements (CSRE 2400), *Engagements to Review Historical Financial Statements* is effective for periods ending on or after December 14, 2017 (with no option for early adoption).



Why the need for a new review standard

It has been almost 30 years since the review engagement standards have been updated. Since then, marketplace demand and uses for review engagements have expanded considerably.

The new standard was drafted to address the evolving needs of financial statement users, to reflect leading review engagement practices, and to provide clarity on assurance concepts and principles as they relate to conducting review engagements in the Canadian environment.



What does it mean?

CSRE 2400 was designed to be self-standing. Applicable assurance concepts have been integrated into the new review standard, resulting in some major changes, and there are some new requirements in CSRE 2400 that are not found in the existing review standards.



Topic



New requirements

Major changes

Materiality	We are now required to calculate materiality.
Understanding the entity	<p>We are now required to identify areas in the financial statements where material misstatements are likely to arise and to design procedures to address those areas.</p> <p>We will perform more inquiry with management to obtain a greater depth and breadth of understanding. As a result, the extent of our documentation will also be greater.</p>
Misstatements	We will accumulate all misstatements, communicate them to management, and request that management correct them. Management will need to provide a written representation stating that all uncorrected misstatements are not material.
The practitioner's report	<p>The new report format more clearly defines the responsibilities of management and the practitioner. There are new requirements to consider, including:</p> <ul style="list-style-type: none"> • An Emphasis-of-Matter paragraph: To draw attention to a matter in the financial statements or disclosures • An Other Matter paragraph: To draw attention to a matter pertaining to the review

The above list is not exhaustive. CSRE 2400 also sets out more extensive requirements that will apply to some areas already covered in the existing review standards.



How much will it cost?

CSRE 2400 provides a more robust and comprehensive standard.

Greater effort will be required in preparing for the year-end review process, as a more rigorous analysis will be performed. But the enhancements will provide the users of financial statements with more useful insights into the entity than in previous reviews.

Given the heightened efforts required to deliver more informative results, some costs may increase.

From management's perspective, carrying out a review under CSRE 2400 will likely impact you in the following ways:

- A more comprehensive inquiry and analysis of certain pinpointed financial statement items that have a greater likelihood of material misstatement
- Further requests for support on the following matters: related party relationships and transactions, fraud, non-compliance with laws or regulations, going concern, and the use of work performed by others
- Specific requests of management to correct any errors accumulated during the review
- More extensive and explicit communications with management and those charged with governance



We will be working with you to ensure a smooth transition and will meet with your team to plan ahead.