

# PEG 2020 - What's New

August 2020

The CPA Canada Member Development and Support group is pleased to provide you with the 2020 edition of the *Professional Engagement Guide* (PEG).

To ensure that subscribers receive the most current information relating to engagements in Canada throughout the year, the Knotia (online) version of PEG is the official version of the publication and will be updated as changes become available. The print version of PEG will be updated and issued on an annual basis.

Did you know that you can subscribe to the online version of PEG, or you can order the print and online version together? For more information or for a product assessment, call your local representative at 1-855-769-0905 or email [sales@cpacanada.ca](mailto:sales@cpacanada.ca). For general inquiries, call CPA Canada's Customer Service department at 1-800-268-3793.

## Updates Made to This Fourth Edition of PEG

There have been two substantial updates to professional standards this year: CAS 540, *Auditing Accounting Estimates and Related Disclosures*, effective for years beginning on or after December 15, 2019 and CSRS 4200, *Compilation Engagements*, effective for periods ending on or after December 14, 2021 (early adoption permitted).

The changes for this 2020 PEG update include the following:

Heading	Content	Description of Change
<b>Introduction</b>	What's New Introducing the 2020 PEG Acknowledgements About the Authors	The introduction chapters are still included in both the printed versions of Volume 1 and Volume 2. However, on Knotia this is now presented as a stand-alone section.
<b>Volume 1: Core Concepts</b>	Chapters 1-45 Appendices A1-A4	Updates to the risk assessment procedures and the risk response procedures in both volumes reflecting the changes made to CAS 540, <i>Auditing Accounting Estimates and Related Disclosures</i> .  On Knotia, the introduction chapters have been separated out as a stand-alone section. Additionally, this volume is provided as a PDF, making searching for individual topics easier.
<b>Volume 2: Practical Guidance</b>	Chapters 1-42	Updates to the risk assessment procedures and the risk response procedures in both volumes reflecting the changes made to CAS 540, <i>Auditing Accounting Estimates and Related Disclosures</i> .  Minor updates have been made to the sample completed forms within the Volume 2 case studies to reflect the changes made to the PEG audit and review forms.  On Knotia, the introduction chapters have been separated out as a stand-alone section. Additionally, this volume is provided as a PDF, making searching for individual topics easier.

Heading	Content	Description of Change
<b>Practice Aids</b>	Audit: forms, letters and reports Review: forms, letters and reports Financial reporting frameworks Future-oriented financial information Compliance reporting Compilation (OCS 9200) forms and letters Other engagements: letters	See below for details on updates on individual practice aids.
<b>Volume 3: Case Studies (Knotia only)</b>	Audit <ul style="list-style-type: none"> <li>Cambridge</li> <li>Kennedy</li> </ul> Review <ul style="list-style-type: none"> <li>PureLife</li> </ul>	These revised case studies have been reorganized to provide easy access to the material. Grouped by audit and review, each case study includes written explanations along with the related filled-in forms.
<b>Compilation Engagements: CSRS 4200 (Knotia only)</b>	Volume 1 Volume 2 Practice Aids – forms, letters and reports Case Study – Jane’s Garden Shoppe	Chapter 45 of Volume 1 and Chapters 35–38 of Volume 2 have been updated to reflect the new standards and requirements. These standards are required to be applied for periods ending on or after December 14, 2021. However, they are available for early adoption.  For those choosing to apply these standards early, practice aids (including forms, checklists and letters) have also been provided.  See below for details on the new practice aids.

## Practice Aids

The practice aids (including engagement forms, letters and reports) have been reorganized on Knotia by the type of engagement.

The following tables outline the additions and revisions to the PEG practice aids for the 2020 edition.

## Amendments to Audit Forms

Form	Extent	Description of Revisions
<b>310 Checklist – Audit completion</b>	Moderate	Revised form to include considerations for: <ul style="list-style-type: none"> <li>overall evaluation of the audit</li> <li>reporting conclusions on whether a modified report is necessary</li> </ul>
<b>375 Worksheet – Documenting consultation</b>	New	New worksheet to document the nature of the consultation, key issues identified, and conclusion or outcome.
<b>420 Materiality</b>	Minor	The benchmarks for overall materiality have been updated to be consistent with the guidance in Chapter 11 of Volume 2.
<b>436/436c Team planning discussions</b>	Minor	Updated form to consider accounting estimates and related disclosures.

<b>Form</b>	<b>Extent</b>	<b>Description of Revisions</b>
<b>513/513c Understanding accounting estimates and related disclosures</b>	Major	The form has been redesigned to include the new requirements in revised CAS 540 relating to understanding how management makes accounting estimates.  Appendices 513-1 and 513-2 have also been provided for additional estimates.
<b>514 Worksheet – Outcome of prior period accounting estimates</b>	Minor	Although the content remains unchanged, the information is now provided in a spreadsheet to enable calculations.
<b>521 Risk register – Entity specific – Accounting estimates</b>	New	New form to assess the risks for accounting estimates as required by the revised CAS 540 including: <ul style="list-style-type: none"> <li>a. evaluation of the degree of estimation uncertainty, complexity and subjectivity involved</li> <li>b. a separate assessment of inherent risk and control risk</li> </ul>
<b>525 Going concern – Identifying events and conditions</b>	Minor	New event / condition added to address significant estimation uncertainty in an accounting estimate
<b>590-2 Engagement scoping/summary of assessed risks at the assertion level</b>	Minor	Added reference to the new estimates risk register 521.
<b>635 Worksheet – Accounting estimates – Further audit procedures</b>	Major	Redesigned the form to provide a choice of three testing approaches for accounting estimates as required by the revised requirements in CAS 540. These are: <ul style="list-style-type: none"> <li>a. testing events subsequent to the balance sheet date</li> <li>b. testing the preparation of management's estimates</li> <li>c. developing an auditor's point estimate or range</li> </ul> If internal controls are to be relied upon, they must be tested.
<b>650 Subsequent events</b>	Moderate	Redesigned form to clarify requirements.
<b>680 Worksheet – ASPE Supplementary audit procedures</b>	Moderate	New procedures relating to changes in ASPE for Section 3856, Financial Instruments (treatment of retractable and mandatorily redeemable shares issued in a tax planning arrangement and related-party transactions).
<b>A-ZZ 705 to 730 and NFP Forms</b>	Minor	Added new procedures to consider accounting estimates identified on Form 521 when finalizing audit plans.  Added new procedures to address management bias.
<b>706 Worksheet – Revenue recognition</b>	New	New worksheet to cover the requirements relating to revenue recognition.

## Amendments to Audit Letters

<b>Letter</b>	<b>Extent</b>	<b>Description of Revisions</b>
<b>AL3.3 Audit findings</b>	Minor	Added a consideration about whether a subjective or complex accounting estimate is a significant risk to be communicated.
<b>AL4.1 Management representations letter</b>	Moderate	Revised wording relating to representations over accounting estimates and related disclosures.
<b>AL4.2 Request for management assistance</b>	Minor	Revised wording relating to assistance of details of accounting estimates and related disclosures.

## New Compilation (CSRS 4200) Practice Aids

CSRS 4200 was issued by CPA Canada in February 2020. The new standards for compilation engagements are effective for periods ending on or after December 14, 2021. However, practitioners may choose to early apply these standards.

New practice aids have been developed to meet the new requirements of the standard.

Form	Extent	Description
<b>Compilation Map</b>	New	Provides a listing of key procedures and related forms to be performed throughout the three-step engagement process.
<b>C1-10 Engagement acceptance/Continuance</b>	New	Checklist for engagement acceptance / continuance for compilation engagements under CSRS 4200.
<b>C2-10 Knowledge of the entity</b>	New	Form to document the knowledge of the entity in accordance with CSRS 4200.
<b>C2-90 Worksheet – Time budget</b>	New	Worksheet to document the time budget for the engagement.
<b>C3-10 Completion checklist</b>	New	Checklist to ensure the requirements of CSRS 4200 have been met prior to issuing the engagement report.
<b>C3-90 Worksheet – Withdrawal</b>	New	This worksheet provides the documentation requirements when it is considered necessary to withdraw from the engagement.
<b>C3-95 Report Transmittal</b>	New	Form to document the process for approving and issuing the engagement report.
<b>CL1-1 Compilation engagement letter</b>	New	Engagement letter for performing compilation engagements under CSRS 4200.
<b>CL1-2 Compilation engagement – Management acknowledgement of responsibilities</b>	New	Management acknowledgement letter as required by CSRS 4200 when the engagement letter is signed by those charged with governance.
<b>CE1-1 Compilation engagement report</b>	New	Sample compilation engagement report when reporting under CSRS 4200.

## Updates to Financial Reporting Framework (FRF) Forms

Form	Extent	Description of Revisions
<b>FRF 906</b>	Moderate	To reflect the changes to the ASPE standards relating to Section 3856, Financial Instruments, for significant risk disclosures, retractable or mandatory redeemable shares issued in a tax planning arrangement and related-party transactions. To reflect minor changes in Section 3475 relating to the presentation of future taxes.
<b>FRF 908</b>	Minor	To reflect minor changes in Section 3475 relating to the presentation of future taxes.
<b>FRF 972</b>	Moderate	To reflect the changes to the ASNPO standards relating to Section 3856, Financial Instruments.

## Important Notice

Due to production timing, the *Model Financial Statements – Private Enterprises* PDF included with your PEG subscription is the 2019 edition of the publication. We anticipate that the 2020 edition will be available in the fall of 2020, at which time an update will be provided to subscribers.