Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

SKU: 9781264876204-SOLUTIONS

TBEXAM.COM

Chapter 2
The Financial Statement Auditing Environment

Learning Objectives	Review Questions	Multiple-Choice Questions	Problems	Discussion Cases	Internet Assignments
LO 2-1: Be familiar with the different types of auditors.	1	13	20		24
LO 2-2: Be familiar with the various types of audit, attest, and assurance services offered by accounting professionals.	2	14,15	20	22	24
LO 2-3: Understand the organization of public accounting firms and the composition of audit teams.					
LO 2-4: Understand the significant changes that have taken place in the auditing profession over the past two decades.	3,4	16			
LO 2-5: Know that management is primarily responsible for the entity's financial statements and understand the auditor's responsibility for detecting errors, material fraud, and illegal acts.	5	17			
LO 2-6: Recognize that an audit is shaped by the auditee's business, industry, and economic environment and understand essential components and processes characteristic of most business entities.	6, 7	18			
LO 2-7: Be familiar with a model of business processes used to organize an audit.					
LO 2-8: Identify and be familiar with the major organizations that affect the public accounting profession's environment.	8,9,10	19			24, 25
LO 2-9: Understand that auditing standards are established by CPA Canada and are consistent with international standards.					
LO 2-10: Be familiar with the principles underlying an audit conducted in accordance with Canadian generally accepted auditing standards.	11		21	22. 23	
LO 2-11: Understand the nature of auditing standards.					
LO 2-12: Understand that the auditing profession places a premium on ethical behaviour and is	12			22, 23	

TBEXAM.COM

TBEXAM.COM - THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

governed by the Rules of Professional Conduct.					

NOTE: References to auditing standards in the instructor manual follow a similar convention to that followed in the text: CPA standards will be referenced by CAS section. For any US standards, references to AICPA standards will be referenced by clarified AU section and PCAOB standards will be referenced by Auditing Standard (AS) number.

TBEXAM.COM

TBEXAM.COM

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

Chapter 2 covers the context, or environment, in which auditors function, starting with an overview of the recent changes in the public accounting profession.

[LO 2-1, 2-2] Types of Auditors and Services

We spend a few minutes discussing the different types of audits and services (e.g., internal control audits, compliance audits, operational audits, forensic audits, attest services, and assurance services) firms can provide and the different types of auditors (e.g., external auditors, internal auditors, government auditors, and forensic auditors). Chapter 21 discusses attestation services more thoroughly. **Problem 2-20** could be covered here.

[LO 2-3] Public Accounting Firms

We briefly review the organization of firms (e.g., proprietorship, general or limited liability partnerships, or corporation), the categorization of the firms (e.g., Big 4, mid-tier firms, regional firms, and local firms), the types of services (e.g., audit, tax, management advisory services, and accounting and review services), and the internal organization (e.g., partner, manager, senior, and associate) that describes the public accounting firms.

[LO 2-4] Two Decades of Challenge and Change for Financial Statement Auditors

The time we spend with this topic depends on what was covered in the earlier class. We try to continue the discussion, emphasizing to the students issues facing the profession today or the overall environment the profession is operating in. We focus on:

TBEXAM.COM

- Events leading up to the current landscape.
- The explosion of scandals that took place.
- Government intervention (i.e., Sarbanes-Oxley Act 2002, Ontario Bill 198 (C-SOX), CPAB).
- The profession's response (a healthy move back to the basics).

[LO 2-5] Management's Responsibility and the Auditor's Responsibility

Students generally find this topic very interesting. We focus on the auditor's responsibility to detect errors, fraud, and illegal acts. Many students falsely believe that auditors have the responsibility to detect all errors, fraud, and illegal acts. This could be a good time to have a guest speaker come into the class to discuss the growing field of forensic accounting.

[LO 2-6] The Context of Financial Statement Auditing

We spend a few minutes emphasizing to the students the importance of auditors knowing their auditees' business and industry characteristics since that is the context or environment within which a particular business operates. We emphasize that it is difficult for an auditor to effectively audit something which they do not fully understand. We end this section with a short introduction to a high-level model of a business entity and then spend more time with the five cycles used to break the audit down into manageable pieces covered in LO 2-7.

TBEXAM.COM

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

[LO 2-7] A Model of Business

With the high-level model, we make sure everyone knows how a business operates at the highest level by including the roles of corporate governance, the board of directors, and the audit committee. Then we discuss briefly with the students how objectives are formed and what strategies might be designed to achieve those objectives by asking the students to come up with related examples of each and writing them on the board. Then we write down specific processes that might be set up so that the strategies are implemented. Last, we ask them for specific risks that might threaten the achievement of the objectives we came up with and write these down as well.

We then spend more time with the process part of the above exercise. We ask the students to list the five cycles and relate them to what we discussed above using Figure 2-1. Next, we briefly discuss each of the five cycles individually as well as how they are interrelated:

- The financing process.
- The purchasing process.
- The human resource management process.
- The inventory management process.
- The revenue process.

Use Figure 2-1

TBEXAM.COM

Finally, we relate the process components to the "business model." Management establishes processes in the five categories discussed above to implement the organization's strategies and achieve its objectives, as well as integrating internal controls to mitigate enterprise risks. The financial statements report the financial results of those efforts to outside parties (the organization's performance and its external reporting and accountability).

[LO 2-8] Organizations that Affect the Public Accounting Profession

We use Figure 2-2 as a framework for discussing the various organizations that affect financial statement audits. We tend to focus on CPA Canada, the influence of IFAC, as well as American influence through the SEC, the PCAOB, the FASB, and the AICPA.

Use Figure 2-2

[LO 2-9, LO 2-10] Auditing Standards

Auditing standards provide a systematic approach to auditing and thus should be emphasized to the students. We begin the discussion with the current state of audit standard-setting: AASB and IAASB. We also briefly mention the influence of the US via the SEC and the pronouncements of the PCAOB, and via the AICPA through the pronouncements of the ASB. We finish by stressing the importance and universality of Canadian Auditing Standards.

We also discuss the principles underlying a financial statement audit by referring back to the

TBEXAM.COM - THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

AASB's auditing standards. Our intention by discussing the purpose and premise of the audit, responsibilities, performance, and reporting is to help students realize how a solid understanding of the framework of the audit can inform their approach to the application of the standards. **Problem 21** could be covered here.

Use Exhibit 2-2

[LO 2-11] Auditing Standards and the Codification of Standards

Here, we describe the general approach to standard-setting taken by the AASB (stressing the importance of professional judgment) and provide an overview of the major sections of the CASs. We finish by briefly mentioning the complications for Canadian auditors that arise when they are auditing US-listed, or cross-listed Canadian companies.

[LO 2-12] Ethics, Independence, and the Rules of Professional Conduct

We try to demonstrate to the students why it is important for auditors to be independent and act ethically. The key point for the students to learn is that the value in the audit lies in the auditor's reputation for integrity and objectivity, which of course involves independence from the auditee. Users of the financial statements will place little value on the auditor's report if the auditor is not perceived to be honest and objective. We also might spend a little time discussing the issues of low-balling and opinion shopping. We use this section to alert the students to the existence of the Rules of Professional Conduct, how each province or territory has its own, and the importance of independence for auditors (Chapter 19 discusses this topic in greater detail).

TBEXAM.COM

Discussion Cases

Discussion Cases 22 and 23 present Merry-Go-Round, a real-world company that sued its consultants over poor advice. The case covers Ernst & Young's consulting work for the company and provides the instructor an opportunity to expand the discussion of audit versus consulting services. The case also provides an opportunity to talk about how work for one company may affect the objectivity and independence of work on another company.

Internet Assignments

The Internet assignments included in this chapter provide ample opportunity to have the students use the Internet to search for information. If you have access to the Internet in your classroom, show students the CPA Canada home page (https://cpacanada.ca). **Internet Assignment 25** has the students go to the AASB, CSA, CPAB, and IFAC websites. **Internet Assignment 24** provides the students with the opportunity to examine the types of audits conducted by the OAG.

Practice Insight

Practice Insights provide real-world integration. Practice Insight scenarios are included in each chapter to highlight important and interesting real-world trends and practices. These self-

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

contained insights or scenarios focus on current events, student decision-making, and professional problem solving.

Connect Assets

TABLEAU and POWERBI

The Chapter 2 **TABLEAU** and **POWERBI** problems are an excellent hands-on supplement to the textbook material. Please go to Connect for chapter-specific assignments.

TBEXAM.COM

TBEXAM.COM

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

CHAPTER 2
THE FINANCIAL STATEMENT AUDITING ENVIRONMENT

Answers to Review Questions

2-1 Auditors can be classified under four types: (1) external auditors, (2) internal auditors, (3) government auditors, and (4) forensic auditors.

External auditors: provide reasonable assurance that financial statements are fairly stated for publicly traded and private companies, partnerships, universities, and government entities, but are not employees of the entity being audited

Internal auditors: employed by companies to provide independent, objective assurance and consulting services designed to add value and improve an organization's operations

Government auditors: employed by federal, provincial, territorial, and local agencies to provide services similar to internal auditors

Forensic auditors: employed by corporations, government agencies, public accounting firms, and consulting and investigative services firms to detect, investigate, and deter fraud and white-collar crime

TBEXAM.COM

2-2 Examples of *compliance* audits include (1) internal auditors determining whether corporate rules and policies are being followed by departments within the organization, (2) an examination of tax returns of individuals and companies by the Canada Revenue Agency for compliance with the Income Tax Act, and (3) an audit under Bill C-14 - A second Act respecting certain measures in response to COVID-19, better known as the Canada Emergency Wage Subsidy Act, to determine whether an entity receiving federal assistance is in compliance with applicable laws and regulations.

Examples of *operational* audits include (1) an audit by the OAG of the Department of National Defence to determine the efficiency and effectiveness of procedures for purchasing new equipment, (2) internal auditors examining the effectiveness and efficiency of funds being spent on the entity's computer resources, and (3) a university hiring an external auditor to examine the effectiveness and efficiency of student advisory services.

Examples of *forensic* audits include (1) an examination by an external auditor of cash disbursements for payments to unauthorized vendors, (2) assistance by an auditor to a law enforcement agency in tracing laundered monies by organized criminals, and (3) an independent auditor helping identify hidden assets as part of a divorce settlement.

Student answers will likely be less detailed but should capture the general idea of each type of audit.

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

2-3 During the late 1990s and early 2000s, accounting firms aggressively sought opportunities to expand their business in non-audit services such as consulting. This expansion from their core audit practice, combined with allegations of auditors refusing to challenge management's actions, resulted in conflict between regulators and the accounting profession. Financial fiascos such as those at Bre-X, Enron, and many others caused investors to doubt the fundamental integrity of the financial reporting system. Under pressure to restore the public's confidence, in the US their Congress passed the Sarbanes-Oxley Act in 2002, Ontario followed suit in 2003 and developed C-SOX.

2-4 The accounting profession's expansion into new areas, combined with changes in the overall business environment, resulted in new regulations and guidelines. The scandals of the late 1990s and early 2000s brought into question the profession's ability to self-regulate, resulting in new legislation. While these changes have caused pain and turmoil, they highlight the essential importance of auditing in our economic system. Ultimately, the "back to basics" emphasis, along with auditing firms' renewed focus on ethical conduct and thorough and effective financial statement audits, will likely prove healthy for the financial reporting system, the profession, and the whole economy.

TBEXAM.COM

2-5 Management is responsible to prepare financial statements that fairly present the company's financial condition and operations in accordance with established accounting standards. Note that the auditor's opinion explicitly states that the financial statements are the responsibility of management. The auditor is responsible to issue an opinion in regard to the financial statements prepared by management. In order to issue this opinion, the auditor must plan and perform the audit in accordance with established auditing standards to obtain reasonable assurance that the financial statements are free of material misstatement, whether caused by error or fraud. However, it is important to note that an auditor's unqualified opinion does not mean that errors or fraud do not exist but rather that there is reasonable assurance that they do not exist in material amounts.

2-6 The essential components of the high-level model of business offered in the chapter include the following: corporate governance, objectives, strategies, processes, controls, transactions, and financial statements. Corporate governance is carried out by management and the board of directors to ensure that business objectives are carried out and that company assets are safeguarded. To achieve its objectives, management must formulate strategies and implement various processes which are in turn carried out through business transactions. The entity's information and internal control systems must be designed to ensure that these transactions are properly executed, captured, and processed in order to produce accurate financial statements. It is important that the auditor obtain a firm understanding of these components in order to understand relevant risks and to properly plan the nature, timing, and extent of the audit so that it is efficient and effective.

2-7 The information system must maintain a record of all businesses transactions. It should be capable of producing accurate financial reports to summarize the effects of the entity's transactions. Among other things, internal control is required to ensure that a proper environment is established and that transactions are appropriately conducted and recorded by the information system and company employees. Effective internal control provides

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

safeguards to ensure the (1) reliability of financial reporting, (2) compliance with laws and regulations, and (3) the effectiveness and efficiency of operations. Auditing standards require that the auditor obtain an understanding of the client's environment, including its internal control, in order to properly plan the nature, timing, and extent of testing and provide an effective and efficient audit.

2-8 The AASB issues the following standards:

- Statements on Auditing Standards
- Statements on Standards for Assurance Engagements
- Statements on Standards for Review and Compilation Engagements
- Statements on Quality Control Standards

2-9 The Canadian Public Accountability Board (CPAB) is an organization that was formed in 2003. CPAB is Canada's public company audit firm regulator charged with protecting the investing public's interests. The public's interest is achieved through the promotion of high-quality audits in Canada. The founding institutions includes: the Canadian Institute of Chartered Accountants, the Canadian Securities Regulators, and the federal Office of the Superintendent of Financial Institutions. Auditors of organizations that issue shares to the public must be members in good standing with CPAB. CPAB inspects member firms' audit files to ensure they are in compliance with Canadian Audit Standards and ethical requirements.

2-10 The Canadian Securities Regulators (CSA) is the umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. It ensures that listed companies file audited financial statements that have been prepared in accordance with IFRS. While the CSA may provide issuers with helpful guidance on various issues it does not issue accounting or auditing standards. This is different from the US SEC which has the authority to implement and oversee standards relating to all aspects of the audits of public companies, including standards relating to auditor independence.

2-11 Auditing standards are important for evaluating whether an auditor has done an adequate audit. Users of financial statements desire consistency between audits of various companies. Standards are a way to hold auditors accountable by ensuring that they fulfill the requirements defining what a good audit entails. If the auditor fails to identify a material misstatement and issues an inappropriate audit opinion, this does not necessarily mean that the auditor has failed to perform a high-quality audit, since an audit can only provide reasonable, rather than absolute, assurance. If a material misstatement goes undetected, the auditor can defend her or his performance by showing conformance with auditing standards.

2-12 Independence is a fundamental principle for auditors. If an auditor is not independent of the client, users may lose confidence in the auditor's ability to report objectively and truthfully on the financial statements, and the auditor's work loses its value. From an agency perspective, if the principal (owner) knows that the auditor is not independent, the owner will not trust the auditor's work. Thus, the agent will not hire the auditor because the auditor's report will not be effective in reducing information risk from the perspective of

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

the owner.

Answers to Multiple-Choice Questions

2-13	b	**2-18**	a
2-14	a	**2-19**	b
2-15	d		
2-16	d		
2-17	c		

Solutions to Problems

2-20

Item Number	Type of Audit	Type of Auditor
a.	Operational	Government
b.	Financial statement	External
c.	Internal control or possibly compliance or operational	Internal or external
d.	Financial or forensic	Internal, external, or forensic
e.	Operational or compliance	Government, external, or internal
f.	Operational	Internal or external
g.	Compliance	Government
h.	Forensic or compliance	Government, external, or forensic

TBEXAM.COM

2-21

Brief Description of Principles Underlying an Audit	Sally Jones' Actions Resulting in Failure to Comply with Principles Underlying an Audit
Purpose and Premise of an Audit: An audit is to provide an opinion by an auditor on whether financial statements are presented fairly, in all material respects, according to the applicable framework. Management and those charged with governance are responsible for the preparation and fair presentation of the financial statements and for the design, implementation, and maintenance of internal control over financial reporting. They are also responsible for providing the auditor with all information relevant to the preparation of the financial statements.	Jones expressed an opinion regarding the financial statements, but not on whether the financial statements are presented fairly in accordance with any accounting principles, or any other financial reporting framework. Therefore, she did not fulfill the primary purpose of the audit. Jones did not ensure that management fulfilled its responsibilities for the fair presentation of the financial statements, since that requires making the appropriate footnote disclosures in the financial statements.
Responsibilities: Auditors are responsible for having appropriate competence and capabilities to perform the audit;	It was inappropriate for Jones to hire the two students to conduct the audit, because they do not have

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

complying with relevant ethical requirements; and maintaining professional skepticism and exercising professional judgment, throughout the planning and performance of the audit.	appropriate competence and capabilities. In order to comply with ethical requirements, Jones must be without bias with respect to the client under audit. Because of the financial interest in whether the bank loan is granted to Boucher, Jones is not independent in either fact or appearance with respect to the assignment undertaken. Neither Jones nor her two assistants exercised professional skepticism or professional judgment in performing the audit.
Performance: The auditor must obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. To do so, the auditor must plan the work and supervise any assistants; determine an appropriate materiality level; identify and assess risks of material misstatement based on an understanding of the entity and its environment, including its internal control; and obtain sufficient appropriate audit evidence about whether misstatements exist. The auditor is unable to obtain absolute assurance that the financial statements are free from material misstatements.	Jones failed to supervise the assistants. The work performed was not adequately planned and reviewed. Jones did not study the client or its environment, including internal control, nor did the assistants. Consequently, she could not have identified risks of material misstatements. Jones acquired little evidence that would support the fairness of the financial statements. Jones merely checked the mathematical accuracy of the records and summarized the accounts. Several standard audit procedures and techniques were neglected.
Reporting: Based on an evaluation of the audit evidence obtained, the auditor expresses an opinion in accordance with the auditor's findings, or states that an opinion cannot be expressed. The opinion states whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.	Although Jones' report contains an expression of opinion, her opinion is not based on the results of a proper audit examination. Jones should disclaim an opinion because she failed to conduct an examination in accordance with generally accepted auditing standards. Jones' opinion made no reference to the applicable financial reporting framework. Also, since the financial statements did not contain adequate disclosures, they could not have been in accordance with any financial reporting framework.

TBEXAM.COM

TBEXAM.COM

Solutions to Discussion Cases

2-22 Merry-Go-Round Part I.

a. EY is alleged to have violated the principles of responsibilities and performance.
   - The firm is alleged to have violated the principle of responsibilities in the sense that it appeared that the staff assigned to the engagement did not have sufficient training or experience for the engagement. EY's relationship with MGR's attorneys likely

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

caused them to violate this Principle, which requires compliance with relevant ethical requirements.

- The inadequate nature of EY's recommendations, poor staff assignments, the leader's vacation, and the use of inexperienced personnel, all suggest that the engagement was not adequately planned, that assistants were not properly supervised, and that the staff likely did not gain a sufficient understanding of the entity and its operation, which violates the principle of performance.

b. There are arguments both for and against having formal standards for CPAs who consult. Advantages include potential increase in public trust, some assurance that a minimal level of service quality would be attained, and perhaps more guidance for consultants (to allow them to perform more effective and efficient consulting engagements). The primary disadvantage would result from the fact that CPAs who consult compete with consulting firms comprised of non-CPAs. If standards were not thought out carefully, perhaps the standards would put CPAs at a disadvantage relative to non-CPAs in the sense that CPAs would be subject to standards that constrain their activities or perhaps result in their not being able to compete with non-CPAs in the area of fees. Note that CPAs face certain restrictions in providing consulting services to audit clients. These restrictions are covered in a later chapter.

2-23 Merry-Go-Round Part II.

a. In one sense, EY acted unethically. That is, it should have disclosed the nature of these relationships to MGR. In another sense, it is difficult to ascertain whether these relationships caused EY to act unethically. Specifically, was EY's advice and charged fees affected by its relationship with the landlord? Is this relationship the reason that EY's cost-cutting suggestions and closure of unprofitable stores did not go farther? These questions point out the importance of independence in fact and appearance, even when acting in a consulting capacity. Even if EY acted ethically, this relationship creates the appearance of impropriety.

b. The relationship with Rouse could have caused EY to hesitate to suggest that the stores for which Rouse was the landlord be closed for fear of losing business from Rouse. Its relationship with Swidler could have made EY feel that it could not lose the engagement under any circumstances, thereby possibly explaining its apparently lackadaisical attitude towards the engagement.

Solutions to Internet Assignments

2-24 A search of the OAG's homepage will identify recent audits conducted by this agency.

2-25 a. According to its website, "The Auditing and Assurance Standards Board (AASB) establishes standards for assurance and related services engagements. We contribute to the development of International Standards on Auditing (ISAs), which we adopt as Canadian Auditing Standards (CASs), by participating in consultations and activities of the International Auditing and Assurance Standards Board (IAASB) to ensure Canadian

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

entities' auditing needs are considered."

b. The CSA's website states "The Canadian Securities Administrators (CSA) is the umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets.

It aims to achieve consensus on policy decisions which affect our capital market and its participants. It also aims to work collaboratively in the delivery of regulatory programs across Canada, such as the review of continuous disclosure and prospectus filings."

c. The CPAB website states, "As Canada's audit regulator charged with protecting the investing public's interests, CPAB oversees public accounting firms that audit Canadian reporting issuers. We promote sustainable audit quality through proactive regulation, robust audit assessments, dialogue with domestic and international stakeholders, and practicable insights that inform capital market participants and contribute to public confidence in the integrity of financial reporting.

CPAB's governing document, the Canadian Securities Administrators' National Instrument - 52-108 Auditor Oversight requires auditors of reporting issuers to be registered with CPAB as CPAB participants and requires Canadian reporting issuers to issue financial statements audited only by CPAB participating firms."

TBEXAM.COM

d. The International Auditing Practices Committee (IAPC) was founded in 1978. During its first meeting, the group agreed to issue its publications as guidelines rather than standards. The IAPC's initial work focused on three areas: object and scope of audits of financial statements, engagement letters, and general auditing guidelines. During this initial meeting, the IAPC also agreed to respond to a request from the International Accounting Standards Committee (IASC) chairman and Governors of the Central Banks to develop guidance on inter-bank confirmations.

In 1985, Chairman Justin Fryer called on the IAPC to act in the interests of the public. He also called on the IAPC to resolve differences in auditing standards where differences exist in different countries and to establish a single set of international standards. The IAPC recognized that a fundamental way to protect the public interest was to require the application of a core set of internationally recognized auditing and assurance standards.

In 1988, the IAPC approved the release of *The Auditor's Report on Financial Statements* guidelines. It later developed final guidelines on three key subjects: related parties, going concern, and management representations.

IFAC was among the first organizations to refer to international auditing guidelines in its own financial statements. In 1991, the IAPC proposed to IFAC member bodies that the term "guidelines" be replaced with "standards." With that, International Standards on Auditing, or ISAs, were born.

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES

Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual

TBEXAM.COM

In 2001, IAPC was renamed as the International Auditing and Assurance Standards Board (IAASB). The IAASB then embarked on its first joint project with a national standard setter, the AICPA, which resulted in the development of the suite of audit risk standards.

In 2003, IFAC approved a series of reforms designed to strengthen the IAASB's standard-setting processes so that it is properly responsible to the public interest. By 2007, the IAASB had become arguably the most transparent auditing standard setter in the world.

To encourage greater use of its standards and facilitate translation, in 2004 the IAASB launched a project designed to improve the clarity of its pronouncements. It revised its drafting conventions to make the ISAs more readily understood. By the end of 2008, the IAASB had approved all final redrafted auditing standards. The IAASB is currently working on revising its standards for assurance engagements other than audits.

e. The IASB is the independent accounting standard-setting body of the IFRS Foundation. The IASB is composed of 16 experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education. The IASB is advised by the IFRS Advisory Council which, along with the IASB, is overseen by the IFRS Foundation trustees. The IFRS Foundation is overseen by a monitoring board of public capital market authorities.

The IFRS Foundation is a not-for-profit, private sector body that raises funds to support the operations of the IASB as an independent accounting standard setter. Mandatory levies are issued for listed and non-listed companies in a growing number of countries. The Foundation strives to ensure that its financial support is broad based.

TBEXAM.COM

The IASB is responsible for the development and publication of IFRSs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee. All meetings of the IASB are held in public and are broadcast through the internet. In fulfilling its standard-setting duties, the IASB follows a thorough, open and transparent process of which the publication of consultative documents, such as discussion papers and exposure drafts for public comment is an important component. The IASB engages closely with stakeholders around the world, including investors, analysts, regulators, business leaders, accounting standard-setters, and the accountancy profession.

TBEXAM.COM

Copyright ©2023 McGraw Hill Limited. All rights reserved.

TBEXAM.COM – THE WORLD'S LARGEST TEST BANK AND SOLUTIONS DATABASE WITH UNBEATABLE RATES
Auditing & Assurance Services (Canadian) 4th edition Messier Solutions Manual