



# Public Practice Review Standard

Version 2.0

Certified General Accountants Association of Canada  
100 – 4200 North Fraser Way  
Burnaby, BC  
Canada V5J 5K7

© CGA-Canada, 2010

All rights reserved. These materials or parts thereof may not be reproduced or used in any manner without the prior written permission of the Certified General Accountants Association of Canada.

Second Edition, Version 2.0

Printed in Canada

PRO 162/05

## TABLE OF CONTENTS

1. Process .....	4
2. Checklist Content .....	5
3. Checklist Summary .....	6

## 1. PROCESS

### 1.1 Application

Practice review applies to all CGAs offering reviewable services from an office in the Associations' jurisdiction.

### 1.2 Frequency of review

A member registered to engage in the practice of public accounting is subject to public practice review.

a) Each member shall be reviewed within the first year of registration and at least once every three years thereafter

b) When a member is subject to a follow-up review, or has the review postponed, the time for the next review may not be extended; that is, the three-year cycle is based on the scheduled review date, not on the date of the last actual review.

c) Reviewable services

Audit, review, and compilation files are subject to review. Other types of services and the administrative system may also be reviewed. All practice reviews shall be performed on files selected at random from the member's client list. Where practice reviews are conducted on an office or firm basis, the sample of files selected shall include some files of each partner.

### 1.3 Scoring system

Either of the following systems can be used with the review checklists:

- a) the 0, 1, 2, 3 scoring system
- b) the yes, no, not applicable (N/A) system

#### Marking

In making the assessment, the reviewer may select from five possible responses:

a) Not applicable

The standard is not applicable to the file under review.

b) No

The standard is applicable and has not been complied with. There is no evidence that any attempt was made to comply.

c) No with compensating work

The standard is applicable. There is evidence that an attempt has been made to comply, however the procedure is non-standard and inadequate. The member has not complied with the standard.

d) Yes with compensating work

The standard is applicable. There is evidence that an attempt has been made to comply, however the procedure is non-standard. Standard procedures would have provided better evidence and/or full compliance with the standard.

e) Yes

The standard is applicable. There is evidence that an attempt has been made to comply. Standard procedures have been applied. The member is in full compliance with the standard.

Each of the responses (except N/A) is assigned a numerical value:

No	0
Compensated No	1
Compensated Yes	2
Yes	3

#### **1.4 Results**

Results of practice reviews may be tabulated by the person designated by the Association. Results shall be reported to a committee, without disclosing the identity of the member being reviewed, and the committee shall then determine what follow-up action to take. Details of deficiencies found shall be communicated in writing to the member, with a requirement to implement corrective action.

#### **1.5 Follow-up**

The practice review committee shall have wide powers to require remedial steps when necessary. Such remedial powers shall include, at least:

- referral of the matter to investigation and/or discipline,
- follow-up review,
- check of completed files before release of financial statements, and
- completion of courses or seminars.

## **2. CHECKLIST CONTENT**

Reviews of practitioner working paper files and related documentation shall, at a minimum, check that the practitioner's work meets the requirements of the CICA Handbook, CGA-Canada's Public Practice Manual, and any relevant CGA provincial by-laws and ethics requirements. The review shall cover the four areas: 1. quality control within the firm, 2. the professional engagement, 3. file preparation and documentation, and 4. file finalization.

The prescribed checklist summary is provided in Exhibit 1.

## Exhibit 1 PUBLIC PRACTICE REVIEW CHECKLIST SUMMARY

### 1. Quality Control Within the Firm

The practice review shall ensure that there is documentation that shows:

- a) The firm has established a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm are appropriate in the circumstances. (CSQC 1.11).
- b) The firm's system of quality control includes policies and procedures addressing each of the following elements: (CSQC 1.16)
  - leadership responsibilities for quality within the firm;
  - ethical requirements;
  - acceptance and continuance of client relationships and specific assurance engagements;
  - human resources;
  - engagement performance; and
  - monitoring.
- c) The quality control policies and procedures are documented and communicated to the firm's personnel. (CSQC 1.17))

**Audit    Review    Compilation**

	Audit	Review	Compilation
a) The firm has established a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements and that reports issued by the firm are appropriate in the circumstances. (CSQC 1.11).	√	√	
b) The firm's system of quality control includes policies and procedures addressing each of the following elements: (CSQC 1.16) <ul style="list-style-type: none"> <li>• leadership responsibilities for quality within the firm;</li> <li>• ethical requirements;</li> <li>• acceptance and continuance of client relationships and specific assurance engagements;</li> <li>• human resources;</li> <li>• engagement performance; and</li> <li>• monitoring.</li> </ul>	√	√	
c) The quality control policies and procedures are documented and communicated to the firm's personnel. (CSQC 1.17))	√	√	

### 2. The Professional Engagement

The practice review shall ensure that there is documentation that shows:

- a) The financial statement presentation is appropriate for each major asset, liability, equity, revenue and expense category, based on the criteria in compliance with GAAP. (CICA 1400).
- b) The practitioner's file contains a review of the adequacy of financial statement disclosure, notes and related cross referencing, inclusion of appropriate supplementary schedules and inclusion of appropriate comparative information. (CICA 1400; CAS 710.7)

**Audit    Review    Compilation**

	Audit	Review	Compilation
a) The financial statement presentation is appropriate for each major asset, liability, equity, revenue and expense category, based on the criteria in compliance with GAAP. (CICA 1400).	√	√	
b) The practitioner's file contains a review of the adequacy of financial statement disclosure, notes and related cross referencing, inclusion of appropriate supplementary schedules and inclusion of appropriate comparative information. (CICA 1400; CAS 710.7)	√	√	

c) There is a fair presentation in accordance with GAAP, providing sufficient information about transactions or events having an effect on the entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect; and providing information in a manner that is clear and understandable. (CICA 1400.03)	√	√	
d) Change in Policy (CICA 1506) <ul style="list-style-type: none"> <li>• If there is a change in policy, that it meets the required criteria and that the accounting and disclosure is appropriate.</li> <li>• When an entity has not applied a new primary source of GAAP that has been issued but is not yet effective, the entity has disclosed this fact, and known or reasonably estimable information relevant to assessing the possible impact. (effective for periods beginning on or after January 1, 2007)</li> </ul> Change in Estimate (CICA 1506) <ul style="list-style-type: none"> <li>• Changes in estimates have been recognized prospectively.</li> <li>• Disclosure has been made of effect on current or future periods, if applicable.</li> </ul> Correction of an Error (CICA 1506) <ul style="list-style-type: none"> <li>• Correction of an error has been recognized retrospectively?</li> </ul>	√	√	
e) There is proper disclosure of the method of accounting for business combinations. (CICA 1582.61-.65 )	√	√	
f) The recommendations were followed in accounting for contingencies. A GST/PST reasonability test was done and documented. (CICA 3290.12, .15, .20, .21)	√	√	
g) There is appropriate disclosure of the organization's purpose, intended community of service, tax status and legal form. (CICA 4400.04)	√	√	
h) For organizations using fund accounting, the purpose of each fund is disclosed. (CICA 4400.06)	√	√	
i) For organizations using fund accounting, the accounting and disclosure of inter-fund transfers and balances is appropriate. (CICA 4400.12-.14)	√	√	
j) The financial statements comply with the recommendations. (CICA 1400.03; CICA 4400) <ul style="list-style-type: none"> <li>• Statement of financial position</li> <li>• Statement of operations</li> <li>• Statement of changes in net assets</li> <li>• Cash flow statement</li> </ul>	√	√	

k)	The method of recognizing contributions has been disclosed. (CICA 1505.04, CICA 4410.10)	√	√	
l)	The organization has disclosed the policy followed in accounting for: <ul style="list-style-type: none"> <li>• Endowment and restricted contributions. (CICA 4410.21, .29, .31)</li> <li>• Contributed materials and services. (CICA 4410.16, .19, .23, .24)</li> </ul>	√	√	
m)	The organization has disclosed the contributions by major source.(CICA 4410.22)	√	√	
n)	The accounting and disclosure is appropriate for organizations following the deferral method, organizations following the restricted fund method, contributions receivable, capital assets and collections. (CICA 4400; CICA 4410.28-.77; CICA 4430; CICA 4440)	√	√	
o)	The accounting and disclosure is appropriate for controlled not-for-profit organizations, controlled profit-orientated enterprises and joint ventures. (CICA 4450)	√	√	
p)	Investments in significantly influenced not-for-profit organizations and profit oriented enterprises have been appropriately disclosed. (CICA 4450.40, .43; CICA 3051.25-31)	√	√	
q)	The nature and extent of an economic interest in another not-for-profit organization (without control or significant influence) has been disclosed. (CICA 4450.45)	√	√	
r)	There is proper disclosure of, and an appropriate basis of valuation for inventories, impaired loans, prepaid expenses, long term investment (investments subject to significant influence, portfolio investments etc), interests in joint ventures, property plant and equipment, intangible assets, goodwill and research and development costs. (CICA 3031, CICA 3025, CICA 3040, CICA 3051, CICA 3055, CICA 3061, CICA 3063, CICA 3064, CICA 3065, CICA 3475)	√	√	
s)	There is proper accounting and disclosure for financial instruments (including nature and extent, and terms and conditions). (Reviewers should ensure that the handbook recommendation are appropriate for the fiscal period being reviewed)(CICA 3861)	√	√	
t)	The practitioner has determined that the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so; (CSQC 1.26(a) ) ; CICA 8100.15; CICA 9200.18).	√	√	√

	<b>Audit</b>	<b>Review</b>	<b>Compilation</b>
u) The practitioner has determined that there are appropriate criteria against which the subject matter can be evaluated. (CAS 210.6(a); CICA 8100.10). In the case of a compilation, that the subject matter is suitable for the intended purpose (CICA 9200.12).	√	√	√
v) That reports issued by the firm or the practitioner are appropriate in the circumstances (CSQC 1.32; CICA 8100.15, CICA 9200.21)	√	√	√
w) The practitioner has a written engagement letter signed by the client as to the nature and terms of the engagement. (CAS 210 (general); CAS 210.10; CICA 8100.14; CICA 8200.2-21; CICA 9200.16).	√	√	√
x) Where a previous accountant was involved that a takeover letter has been forwarded to the previous professional accountant (CAS 300.12(b); CEPROC R504).	√	√	√
y) The practitioner considered and documented any independence or conflict of interest issues. (CSQC 1.21-25; CSQC 1.27(b); CAS 220.11; CICA 8100.15; CEPROC R202, CGA Independence Standard).	√	√	√
z) The practitioner communicates with those charged with governance of the entity or in the case of a review engagement those having oversight responsibility for the financial reporting process, such as the audit committee or equivalent (CICA 8200.69; CAS 260.10-13; CAS 265.9).	√	√	

### 3. File Preparation and Documentation

The practice review shall ensure that:

	<b>Audit</b>	<b>Review</b>	<b>Compilation</b>
a) The practitioner has documented consideration of changes in corporate management, officers, filing of statutory required reports, shareholders, and review of minutes. (CAS 250.10(a); CAS 315.9; CICA 8100.17 and 8100.23; CICA 8200.23)	√	√	
b) The practitioner as part of their knowledge of the entity and its environment is aware of laws and regulations that would affect the financial reporting and has documented review of compliance. This would include issues such as appointment as auditor (or in the case of review or compilation file, that statutory audit was waived), compliance with commodity tax laws and money laundering laws. (CAS 250; CICA 8100.12; CICA 9200.09)	√	√	√

c) The practitioner has documented or has provided other evidence of a review of correspondence, prior year's tax return and working paper files and other sources of information that may pertain to the current or future years; and of having agreed agreeing opening balances to prior years closing balances.(CAS 710; CAS 510.3)	√	√	
d) There is evidence of adequate knowledge of the client's entity and its environment (CAS 315.11-23; CICA 8100.17).	√	√	
e) The practitioner has determined and documented materiality (CAS 320.8; CAS 320.14; CICA 8100.15).	√	√	
f) The practitioner's file shows evidence that the possibility of fraud and error has been discussed with management and by the engagement team and that audit procedures have been modified to reflect the assessed level of inherent and control risk for each balance or transaction stream at the assertion level (CAS 240).	√		
g) The practitioner's file shows evidence that the assurance team implemented quality control procedures that are applicable to the individual assurance engagement (CAS 220; CSQC 1.32).	√	√	
h) There is evidence that the engagement was planned, and if assistants were employed, that they were properly supervised (CSQC 1.32(b); CAS 220.15; CAS 240.29(a); CAS 300.6-11; CICA 8100.15; CICA 9200.18).	√	√	√

<p>i) The practitioner has documented and properly considered the processes required to plan and implement an audit, such as (CAS 300 – general):</p> <ul style="list-style-type: none"> <li>• review of policies and procedures of the entity including the control environment and systems and determination of whether they have been implemented as to obtain sufficient understanding of the entity to plan the audit (CAS 315.11-23);</li> <li>• risk of material misstatement at the financial statement level and the assertion level for classes of transactions, account balances, and disclosures (CAS 315.24);</li> <li>• review of audit findings with management (CAS 265);</li> <li>• decisions to modify the timing, nature and extent of audit procedures based on 1 risk assessment (CAS 300.9; CAS 230);</li> <li>• appropriate and completed audit program (CAS 300.11; CAS 230); and</li> <li>• accumulation of sufficient appropriate audit evidence. (CAS 500)</li> </ul>	√		
<p>j) The practitioner’s file contains working papers supporting all significant account balances, which agree with balances reported on the financial statements and show evidence of</p> <ul style="list-style-type: none"> <li>• audit procedures applied and conclusions drawn to address assessed risks, in the case of audits (CAS 230);</li> <li>• analysis and/or discussion with client, in the case of reviews (CICA 8100.23; CICA 8100.19-.20); or</li> <li>• consideration of the item, in the case of a compilation engagement (to the extent that it may be considered false or misleading) (CICA 9200.19-.20).</li> </ul>	√	√	√
<p>k) The practitioner’s file contains a review and comparison of known and most likely errors with materiality for audits, and if errors exceed materiality that the audit report was appropriately modified (CAS 450.5).</p>	√		
<p>l) The practitioner’s file contains a review and comparison of known errors with materiality for reviews, and if errors exceed materiality, that the review engagement report was appropriately modified (CICA 8100.15; CICA 8100.22).</p>		√	

- m) The practitioner's file shows evidence that use of correct professional communication (such as audit, review engagement, and notice to reader reports, qualified or unqualified) was considered (CAS 700; CAS 705; CAS 706; CICA 8100.25-46; CICA 9200.25-26).

√	√	√
---	---	---

#### 4. File Finalization

The practice review shall ensure that the practitioner's file contains:

- a) Evidence of review of subsequent events (CAS 560; CICA 8200.23 (f)).
- b) Evidence of search for related parties (CAS 550; CICA 8200.23 (f)).
- c) Evidence of consideration of major commitments, contractual obligations and contingencies (CAS 501, CAS 560; CICA 8200.23 (f)).
- d) Evidence of the use of appropriate sampling techniques (audit only) and analytical procedures (audit and review) (CAS 520; CAS 530; CICA 8100.19).
- e) Evidence of consideration of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (CAS 570) (audit only).
- f) Evidence of a review by a partner/practitioner in charge where the file has been prepared by another person (CAS 220.16-17; CICA 8100.15; CICA 9200.18).
- g) Evidence that all internal queries between members of the engagement team have been cleared and that the file contains only evidence to support the report. (CAS 230 A4; CICA 8100.23; CICA 9200.18).
- h) Evidence of discussions with the client including the nature of significant matters discussed and when and with whom the discussion took place (CAS 230.10 CICA 8100.23).
- i) Evidence of the client's responsibility for and understanding of the final financial statements (CAS 210.6(b); CICA 8200.18; CICA 9200.13).

Audit	Review	Compilation
-------	--------	-------------

Audit	Review	Compilation
√	√	
√	√	
√	√	
√	√	
√		
√	√	√
√	√	√
√	√	√
√	√	√

- j) Signed adequate representation letter received from the client (for an audit, including an agreement that uncorrected misstatements are immaterial).(CAS 580.9; CAS 450.14; CICA 8200.31; CICA 9200.14 (d)(e))
- k) Evidence that an engagement quality control review was performed (if required), that matters raised by the reviewer were documented and that the reviewer approved in writing the disposition of such matters prior to dating of the practitioner's report (CSQC 1.36; CAS 220.19).
- l) Evidence of a final check for file completeness, in the case of an audit on a timely basis ordinarily not more than 60 days after the date of the auditor's report.(CAS 230.14)

√	√	√
√		
√	√	√