

Audit & Assurance Alert

CANADIAN AUDITING STANDARDS

APRIL 2019

Statement of Revenue and Expenditure Report with the Ministry of Training, Colleges and Universities Transfer Payment Recipients prepared in accordance with a Special Purpose Financial Reporting Framework – Sample Auditor’s Report

This *Audit & Assurance Alert* provides a sample auditor’s report for practitioners who are engaged by a transfer payment recipient to perform an audit of the Statement of Revenue and Expenditure Report for the Ministry of Training, Colleges and Universities for periods ending on or after December 15, 2018.

Topics include:

- Audit requirements
- Sample illustrative auditor’s report

Audit Requirements

All transfer payment recipients must submit a Statement of Revenue and Expenditure Report to the Ministry of Training, Colleges and Universities within 60 days of the end date of the agreement. For those recipients whose agreements have a value of \$100,000 or more, an auditor's report must also be submitted along with the Statement of Revenue and Expenditure Report, within the same timeline. Starting with agreements ending on March 31, 2020, the threshold for this requirement will increase to \$150,000, and the following organization types will be exempted: school boards, colleges of applied art and technology and municipalities.

The auditor's report is intended to provide assurance around the accounts and records maintained for program funding/expenditures and must include an opinion on the Statement of Revenue and Expenditure Report. The audit of the Statement of Revenue and Expenditure Report must be conducted by an external auditor in accordance with Canadian Generally Accepted Auditing Standards. The Statement of Revenue and Expenditure Report requires recipients to input actuals from the agreement period with regards to funds and expenditures specific to the project in question.

Illustration of Sample Auditor's Report

Statement of Revenue and Expenditure Report with the Ministry of Training, Colleges and Universities Transfer Payment Recipients prepared in accordance with a Special Purpose Financial Reporting Framework

Purpose of the Statement of Revenue and Expenditure Report

- The Statement of Revenue and Expenditure Report is prepared to meet the needs of the Board of Directors of the service provider (the Entity) and the Ministry of Training, Colleges and Universities. It serves to confirm that the Ministry of Training, Colleges and Universities funds have been used as set out in the transfer payment agreement.

Financial reporting framework

- The special purpose financial reporting framework is described in the financial reporting provisions of the Pre-Apprenticeship Training Program's Audit and Accountability Requirements as set out in Schedule H of the agreement between the Entity and the Ministry of Training, Colleges and Universities.
- Management does not have a choice of financial reporting frameworks. See [Chapter 5, Q&A 1.11 in the Reporting Implications of the Canadian Auditing Standards \(CAS\)-3rd Edition](#) for guidance when management has a choice of financial reporting frameworks.

Reporting Implications

- An Emphasis of Matter paragraph is required to describe the basis of accounting.
- An Other Matter Paragraph is included to restrict the use and the distribution of the report.

- CAS 570, *Going Concern*, which provides guidance on the auditor's responsibilities relating to going concern and the implications to the auditor's report is not applicable. The going concern basis of accounting is not a fundamental principle in the preparation of the Statement of Revenue and Expenditure Report.
- CAS 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, which provides guidance on the auditor's responsibility to communicate key audit matters in the auditor's report is not relevant. CAS 701 is not applicable to these audits as it only applies to complete sets of general purpose financial statements of entities listed on the Toronto Stock Exchange, other than those entities required to comply with National Instrument 81-106. The auditor has also decided not to communicate key audit matters as stated in paragraph C5 of CAS 701.
- CAS 720, *The Auditor's Responsibilities Relating to Other Information*, which provides guidance on the auditor's responsibilities relating to other information, whether financial or non-financial, included in an entities annual report is not applicable. CAS 720 is not applicable for these audits as there is no information included in a document that meets the definition of an annual report as defined in paragraph 12 of CAS 720.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of [Service Provider Name] and the Ministry of Training, Colleges and Universities

Opinion

We have audited the Statement of Revenue and Expenditure Report for the Pre-Apprenticeship (Site ABC) ("the SRER") of [Service Provider Name] ("the Entity") for the reporting period December 1, 2017 to December 31, 2018, and a summary of significant accounting policies.

In our opinion, the accompanying SRER of the Entity for the reporting period December 1, 2017 to December 31, 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the Pre-Apprenticeship Training Program's Audit and Accountability Requirements as set out in Schedule H of the agreement between the Entity and the Ministry of Training, Colleges and Universities dated December 1, 2017 ("the Audit and Accountability Requirements").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement of Revenue and Expenditure Report* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the SRER in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the SRER, which describes the basis of accounting. The SRER is prepared to assist the Entity to meet the reporting requirements of the Ministry of Training, Colleges and Universities. As a result, the SRER may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter – Restriction on Use

Our report is intended solely for the Entity and the Ministry of Training, Colleges and Universities and should not be distributed to parties other than the Entity and the Ministry of Training, Colleges and Universities. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Statement of Revenue and Expenditures Report

Management is responsible for the preparation of the SRER in accordance with the Audit and Accountability Requirements, and for such internal control as management determines is necessary to enable the preparation of the SRER that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement of Revenue and Expenditures Report

Our objectives are to obtain reasonable assurance about whether the SRER as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the SRER.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the SRER, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's signature]

[Auditor's address]

[Date]

Comments

Please send comments on this *Audit & Assurance Alert*, or suggestions for future *Alerts* to:

Michael Wynen, CPA, CA
Principal, Audit & Assurance
Research, Guidance and Support
Chartered Professional Accountants of Canada
277 Wellington Street West
Toronto ON M5V 3H2
Email: mwynen@cpacanada.ca

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