

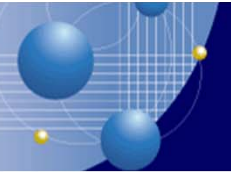
# Introducing CASs

(the new Canadian GAAS)

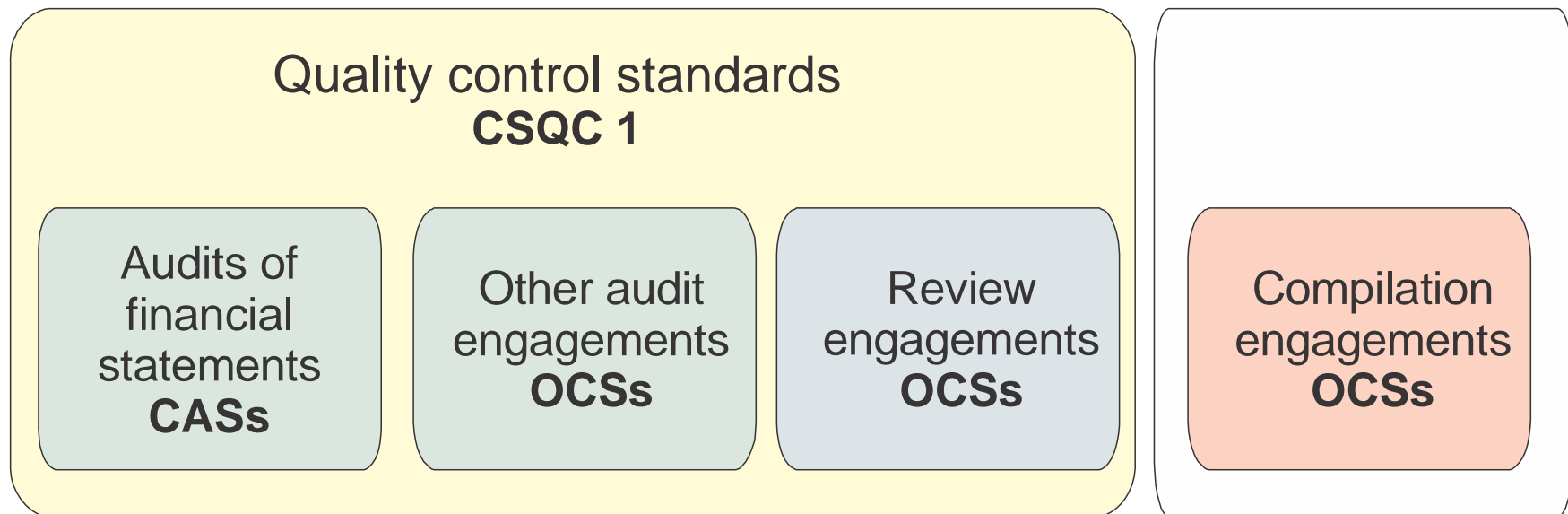
Stuart Hartley FCA

*March 2011*

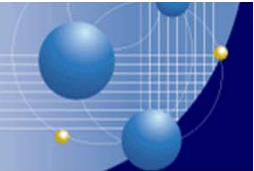
*shartley@focusroi.com*



# Layout of the the New CICA Handbook

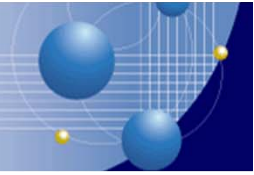


- CSQC = Canadian Standards on Quality Control
- CAS = Canadian Auditing Standards
- OCS = Other Canadian standards



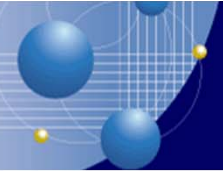
# CSQC1 and the 36 CASs

CSQC 1					
CASs					
General Principles & Responsibilities	Risk Assessment & Response to Assessed Risks	Audit Evidence	Using Work of Others	Audit Conclusions and Reporting	Specialized Areas
CAS 200	CAS 300	CAS 500	CAS 600	CAS 700	CAS 800
CAS 210	CAS 315	CAS 501	CAS 610	CAS 705	CAS 805
CAS 220	CAS 320	CAS 505	CAS 620	CAS 706	CAS 810
CAS 230	CAS 330	CAS 510		CAS 710	
CAS 240	CAS 402	CAS 520		CAS 720	
CAS 250	CAS 450	CAS 530			
CAS 260		CAS 540			
CAS 265		CAS 550			
		CAS 560			
		CAS 570			
		CAS 580			
				<b>New</b>	
				<b>Revised and Redrafted</b>	
				<b>Redrafted Only</b>	



# Major Changes in CASs

Objectives and overarching responsibilities	Risk assessment and evidence gathering in riskier areas	Quality of audit evidence/Reliance on others	Auditor communications
Overall Objectives and Conduct of ISA Audit	Estimates and Fair Values	Group Audits	Communication with TCWG
Materiality	Related Parties	External Confirmations	Communicating Deficiencies in Internal Control
Evaluation of Misstatements	Service Organizations	Using Work of Experts	Modifications to Audit Opinion
		Written Representations	Emphasis of Matter and Other Matter Paragraphs



# CASs with significant changes

- 260 **Communication** with those charged with governance
- 265 Communicating **Deficiencies** In Internal Control
- 320 **Materiality** In Planning And Performing An Audit
- 550 **Related Parties**
- 540 Auditing Accounting **Estimates**
- 570 **Going Concern**
- 600 Audits Of **Group** Financial Statements  
(Including Work Of Component Auditors)
- 700 Form **content** and **dating** of Audit Reports

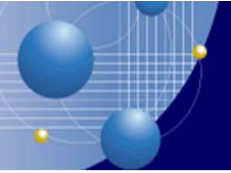


# New "Clarified" Standards

- *Italics* to "shalls"
- New structure for auditing standards
  1. Introduction
  2. Objectives
  3. Definitions
  4. Requirements (the auditor *shall*...)
  5. Application and Other Explanatory Material



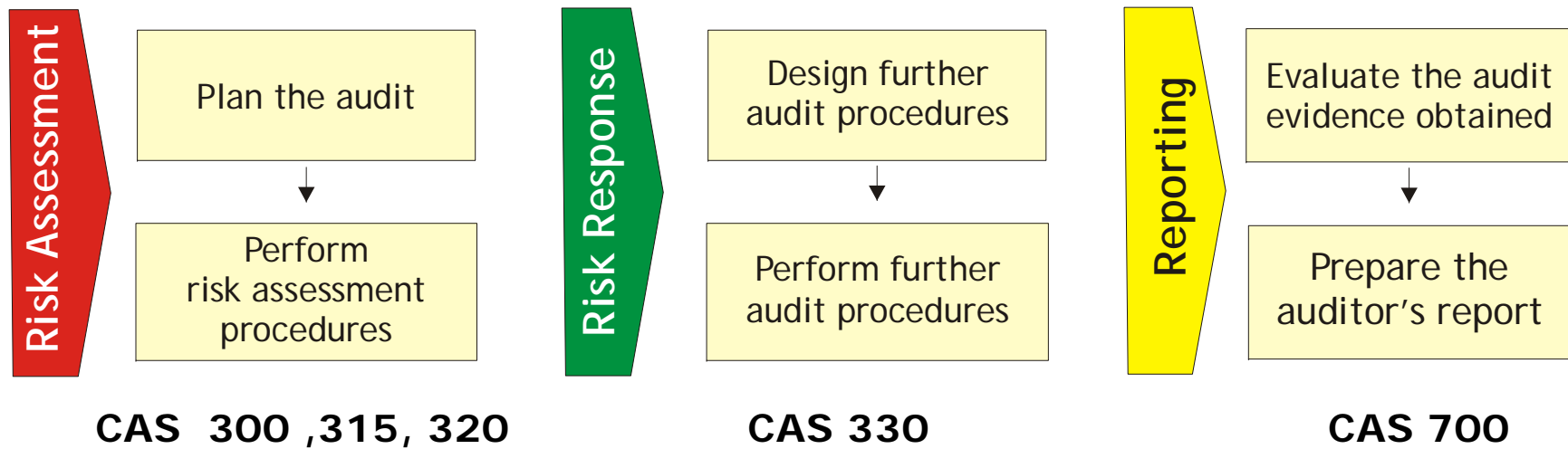
Current Italics	Change in number of paragraphs (not content)	"Shalls"
282	A 50% increase in requirement paragraphs	532



# “Shall” Paragraph Categories

Summary	
Category of requirement	# of "Shalls"
Risk assessment procedures	26
Identifying/assessing RMM	19
Responding to RMM	52
Communicating	26
Audit evidence	25
All others- various	384
Totals	532

# The CAS audit Approach



# Traditional Audit Phases

**Client  
Acceptance**



Completed  
Checklists

**Planning**



Memo to file

**Perform  
Procedures**



Completed  
Checklists

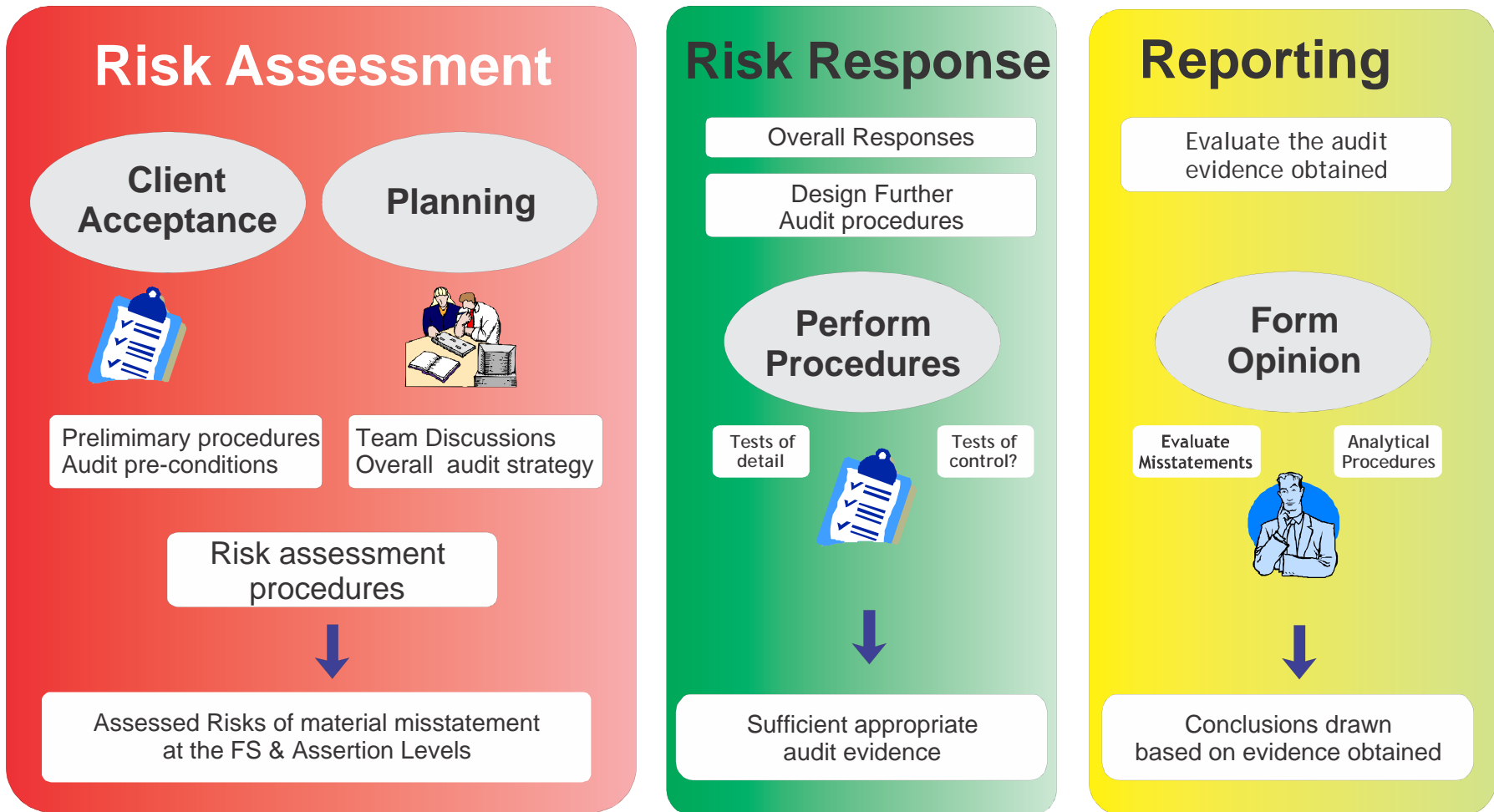
**Form  
Opinion**

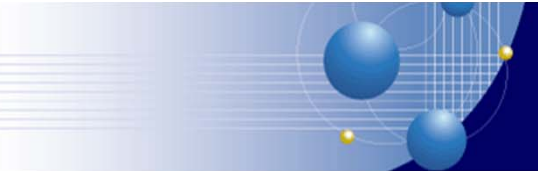


Conclusions  
Memo for file

**BUT Where does the required risk assessment fit?**

# The CAS Approach

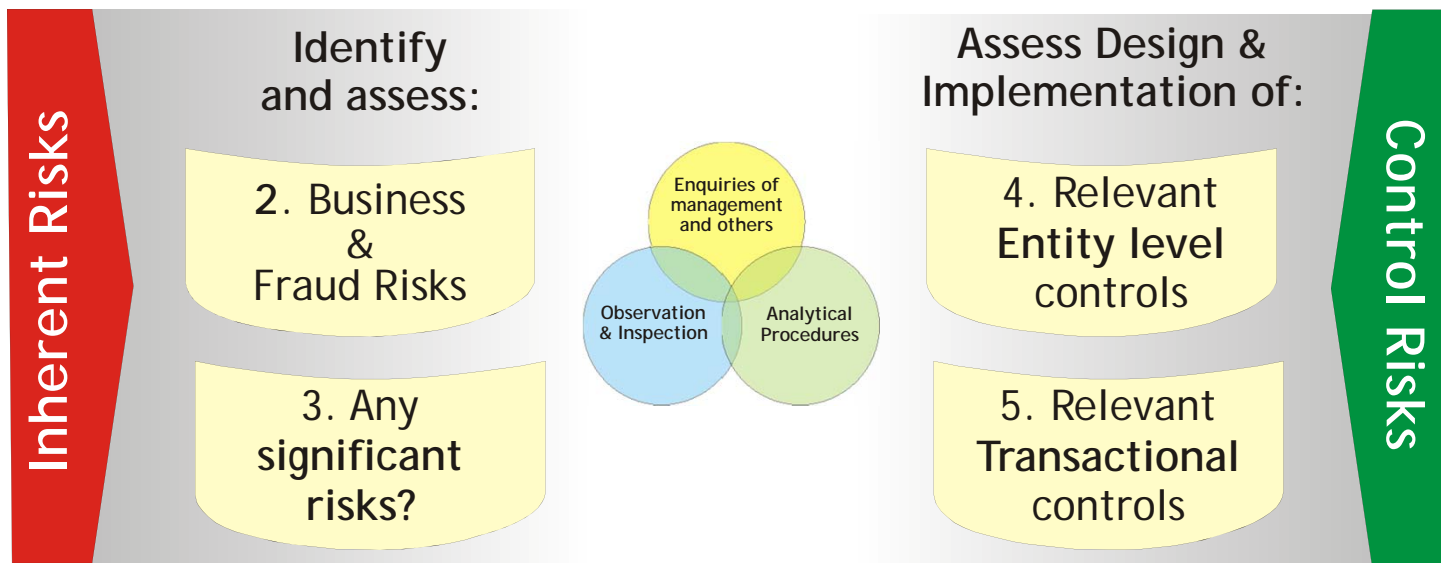




# Risk Assessment Road Map

## 1. Plan the engagement

*Materiality, team discussions and overall audit strategy*



## 6. Combined assessment of Risks (F/S & assertion levels)

What does this entity do?  
Who are the key people?  
What are the key risks?

What's changed this year?  
Any new risk factors  
to address?

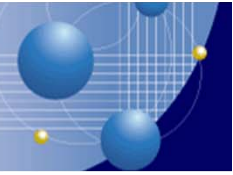
How could fraud occur?  
*Consider opportunities, pressures  
and motives. Develop some fraud  
risk scenarios.*

## Audit Team Discussions

What materiality to use?  
*Identify financial  
statement users and  
their needs*

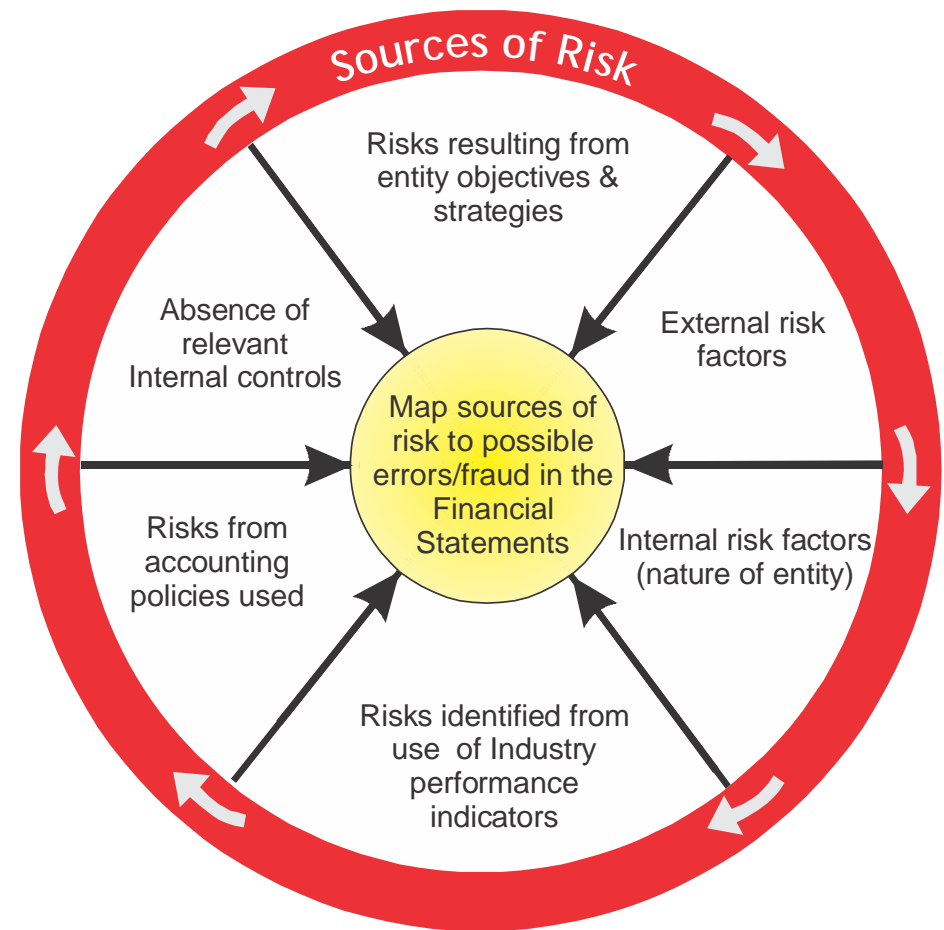
What is our response to risks?  
Where is (using judgement)  
- more work required?  
- less or no work required?

How will fraud risk be addressed?  
What changes made to audit strategy?  
Who is doing what, why and when?  
What documentation is required?  
How will team communications take place?

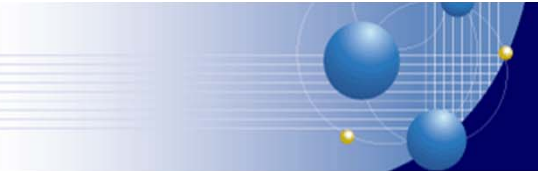


# Sources of Risk

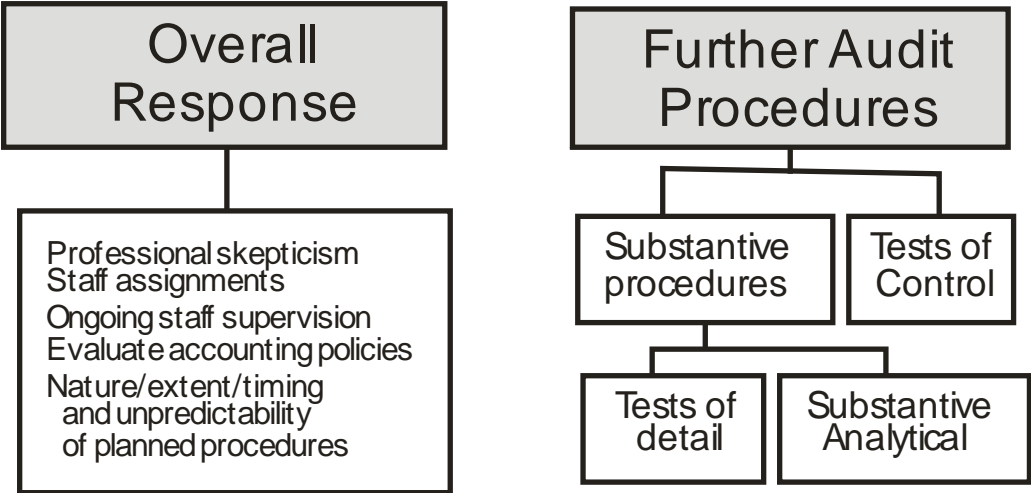
- Scope of required risk assessment  
CAS 315.11-12
- Key Point  
*Identify sources of risks not just effects on the F/S*



\* RMM = Risks of material misstatement

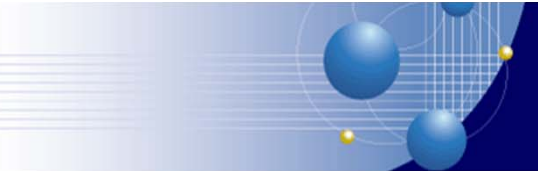


**Auditor's Response**

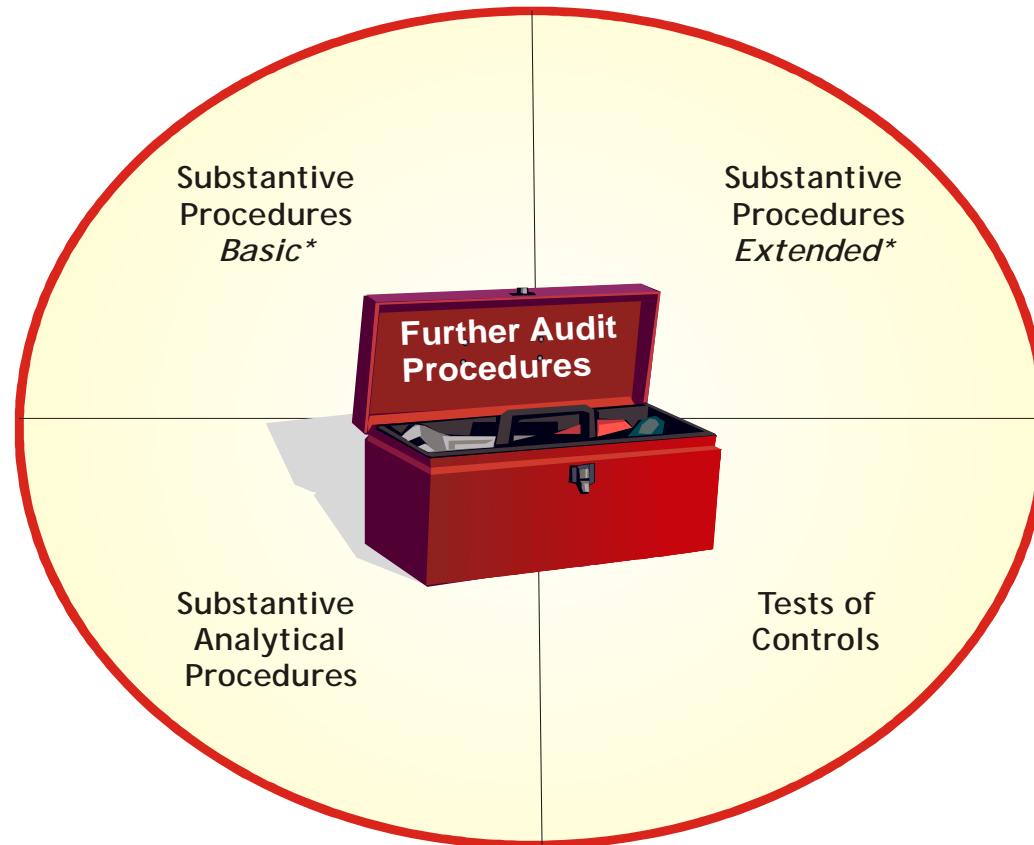


**Result**

**Sufficient appropriate audit evidence to reduce audit risk to an acceptably low level**



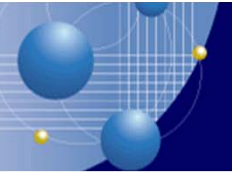
# *Further* Audit Procedures



To reduce audit risk to an appropriately low level  
\* Terms used within CPEM - *not in the CASs*

# Identified Misstatements

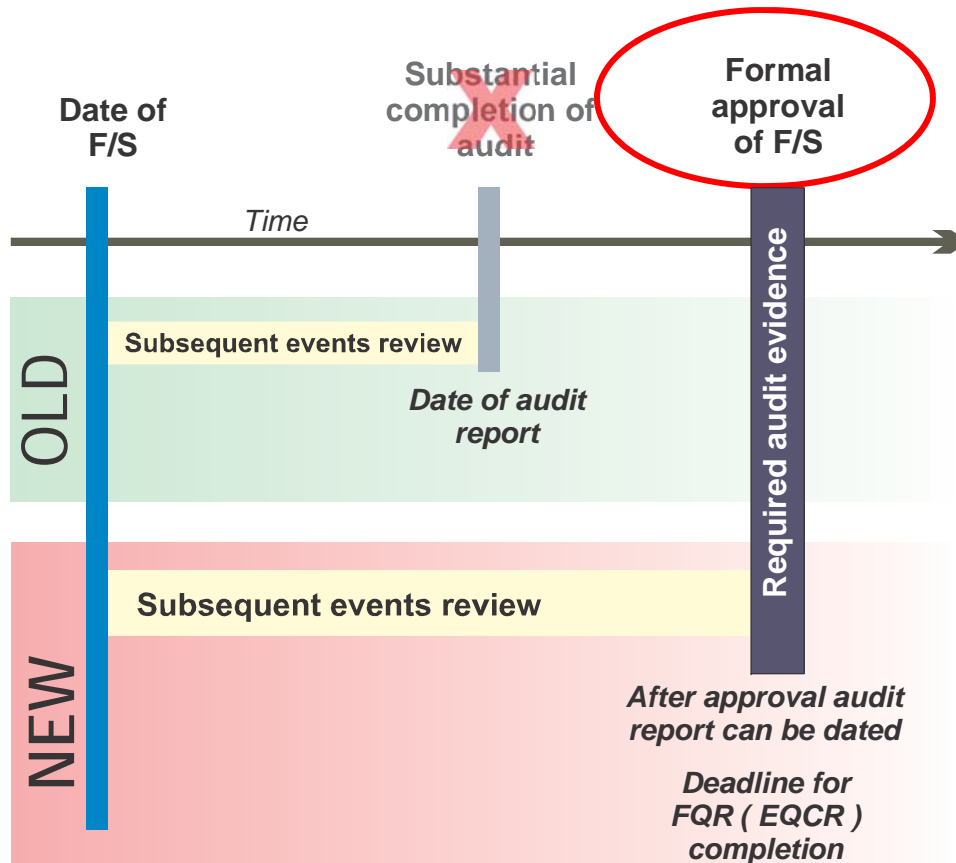
5142	evaluation of misstatements identified	CAS 450
<b>Current Italics</b>	<b>Subject matter</b>	<b>"Shalls"</b>
1	Accumulation of Identified Misstatements	1
	Consideration of Identified Misstatements	2
1	Communication and Correction of Misstatements	2
	Evaluating the Effect of Uncorrected Misstatements	2
	Communication with Those Charged with Governance	2
1	Written Representation	1
	Documentation	1
3	Totals	11



# Forming an opinion

5400	forming an opinion/reporting on F/S	CAS 700
<b>Current Italics</b>	<b>Subject matter</b>	<b>"Shalls"</b>
	Forming an Opinion on the Financial Statements	6
2	Form of Opinion	4
10	Auditor's Report	26
	Supplementary Information Presented	2
12	Totals	38

# Changes in Report Dating

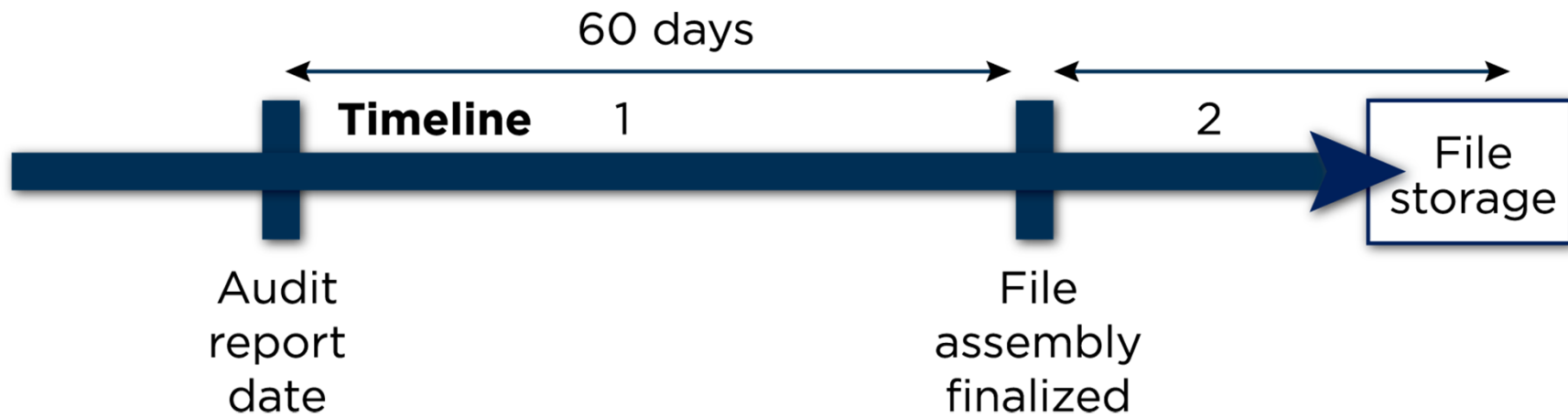


Auditor's report shall be dated **no earlier than** date on which the **auditor has obtained sufficient appropriate audit evidence** including evidence that:

- (a) All F/S including related notes, have been prepared;
- (b) **Those with the recognized authority** have asserted that they have **taken responsibility** for those financial statements



# File Freeze (lock-down)



# How FocusROI can help

## Standard/customized training courses

- Half day course on performing effective audits
- One day course on the new CAS requirements
- Two day course on implementing CASs using the new CPEM

Fees:

*Affordable flat rate fees - no matter how many people attend.*

## Accounting Firm monitoring (Firm and engagement level)

- Meet the requirements of CSQC1
- Use our low cost self evaluation tool and remote file inspection services
- Identify potential for audit efficiencies and any areas of weakness to be addressed
- Guidance on using CPEM forms effectively

Fees:

Email us at [info@focusroi.com](mailto:info@focusroi.com) for a no obligations quote



# Your Questions are Welcome

Email us at [info@focusroi.com](mailto:info@focusroi.com)

