

CANADIAN AUDITING STANDARDS

CAS 260

communication with those charged with governance

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.

Appendix 1

(Ref: Para. 3)

Specific Requirements in CSQM 1 and Other CASs that Refer to Communications with Those Charged with Governance

This appendix identifies paragraphs in CSQM 1 and other CASs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in CASs.

- CSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* – paragraph [34\(e\)](#)
- CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs [22](#), [39\(c\)\(i\)](#) and [41-43](#)
- CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs [15](#), [20](#) and [23-25](#)
- CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph [9](#)
- CAS 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs [12-13](#)
- CAS 505, *External Confirmations* – paragraph [9](#)
- CAS 510, *Initial Audit Engagements — Opening Balances* – paragraph [7](#)
- CAS 540, *Auditing Accounting Estimates and Related Disclosures* – paragraph [38](#)
- CAS 550, *Related Parties* – paragraph [27](#)
- CAS 560, *Subsequent Events* – paragraphs [7\(b\)-\(c\)](#), [10\(a\)](#), [13\(b\)](#), [14\(a\)](#) and [17](#)
- CAS 570, *Going Concern* – paragraphs [41-42](#)
- CAS 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph [57](#)
- CAS 610, *Using the Work of Internal Auditors* – paragraphs [20](#) and [31](#)
- CAS 700, *Forming an Opinion and Reporting on Financial Statements* – paragraph [46](#)
- CAS 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – paragraph [17](#)
- CAS 705, *Modifications to the Opinion in the Independent Auditor's Report* – paragraphs [12](#), [14](#), [23](#) and [30](#)
- CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* – paragraph [12](#)
- CAS 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph [18](#)
- CAS 720, *The Auditor's Responsibilities Relating to Other Information* – paragraphs [17-19](#)

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving CAS 570, *Going Concern*.

A21. Significant difficulties encountered during the audit may include such matters as:

- Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures.
- An unreasonably brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.

- The unavailability of expected information.
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion. 13

A24. Circumstances in which the auditor is required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the CASs, and for which communication with those charged with governance is required, include when:

- The auditor expects to modify the opinion in the auditor's report in accordance with CAS 705. 16
- A material uncertainty related to going concern is reported in accordance with CAS 570. 17
- Key audit matters are communicated in accordance with CAS 701. 18
- The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matter paragraph in accordance with CAS 706 19 or is required to do so by other CASs.
- The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with CAS 720. 20

In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor's report to facilitate a discussion of how such matters will be addressed in the auditor's report.

Appendix 1

(Ref: Para. 3)

Specific Requirements in CSQM 1 and Other CASs that Refer to Communications with Those Charged with Governance

This appendix identifies paragraphs in CSQM 11 and other CASs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in CASs.

- CSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* – paragraph 34(e)
- CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 22, 39(c)(i) and 41-43
- CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs 15, 20 and 23-25
- CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph 9
- CAS 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs 12-13
- CAS 505, *External Confirmations* – paragraph 9
- CAS 510, *Initial Audit Engagements – Opening Balances* – paragraph 7
- CAS 540, *Auditing Accounting Estimates and Related Disclosures* – paragraph 38
- CAS 550, *Related Parties* – paragraph 27
- CAS 560, *Subsequent Events* – paragraphs 7(b)-(c), 10(a), 13(b), 14(a) and 17
- CAS 570, *Going Concern* – paragraph 25
- CAS 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph 57
- CAS 610, *Using the Work of Internal Auditors* – paragraphs 20 and 31
- CAS 700, *Forming an Opinion and Reporting on Financial Statements* – paragraph 46
- CAS 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – paragraph 17
- CAS 705, *Modifications to the Opinion in the Independent Auditor's Report* – paragraphs 12, 14, 23 and 30
- CAS 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* – paragraph 12
- CAS 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements* – paragraph 18
- CAS 720, *The Auditor's Responsibilities Relating to Other Information* – paragraphs 17-19

[Former Appendix 1 retained in Archived Pronouncements]

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving narrow-scope amendments to CAS 700, *Forming an Opinion and Reporting on Financial Statements*, and CAS 260, *Communication with Those Charged with Governance*.

20. The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraph 17.
- A1. Governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. For example:
- In some jurisdictions, a supervisory (wholly or mainly non-executive) board exists that is legally separate from an executive (management) board (a "two-tier board" structure). In other jurisdictions, both the supervisory and executive functions are the legal responsibility of a single, or unitary, board (a "one-tier board" structure).
 - In some entities, those charged with governance hold positions that are an integral part of the entity's legal structure, for example, company directors. In others, for example, some government entities, a body that is not part of the entity is charged with governance.
 - In some cases, some or all of those charged with governance are involved in managing the entity. In others, those charged with governance and management comprise different persons.
 - In some cases, those charged with governance are responsible for approving the entity's financial statements (in other cases, management has this responsibility).
- A25. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report in accordance with CAS 700, the auditor is required to discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. 21 The auditor also may communicate with those charged with governance in circumstances when the auditor elects not to include the description of the auditor's responsibilities in the body of the auditor's report as permitted by CAS 700. 22
- A29. The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements. 24
- A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take. 25

SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving CAS 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.

- A4. CAS 600 includes specific matters to be communicated by group auditors with those charged with governance. 5 When the entity is a component of a group, the appropriate person(s) with whom the component auditor communicates depends on the engagement circumstances and the matter to be communicated. In some cases, a number of components may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those components are the same (e.g., common board of directors), duplication may be avoided by dealing with these components concurrently for the purpose of communication.

Appendix 1

(Ref: Para. 3)

Specific Requirements in CSQM 1 and Other CASs that Refer to Communications with Those Charged with Governance

This appendix identifies paragraphs in CSQM 1 1 and other CASs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in CASs.

- CSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* – paragraph 34(e)
- CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 22, 39(c)(i) and 41-43
- CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs 14, 19 and 22-24
- CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph 9
- CAS 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs 12-13
- CAS 505, *External Confirmations* – paragraph 9
- CAS 510, *Initial Audit Engagements – Opening Balances* – paragraph 7
- CAS 540, *Auditing Accounting Estimates and Related Disclosures* – paragraph 38

- [CAS 550, Related Parties](#) – paragraph [27](#)
- [CAS 560, Subsequent Events](#) – paragraphs [7\(b\)-\(c\)](#), [10\(a\)](#), [13\(b\)](#), [14\(a\)](#) and [17](#)
- [CAS 570, Going Concern](#) – paragraph [25](#)
- [CAS 600, Special Considerations – Audits of Group Financial Statements \(Including the Work of Component Auditors\)](#) – paragraph [49](#)
- [CAS 610, Using the Work of Internal Auditors](#) – paragraphs [20](#) and [31](#)
- [CAS 700, Forming an Opinion and Reporting on Financial Statements](#) – paragraph [46](#)
- [CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report](#) – paragraph [17](#)
- [CAS 705, Modifications to the Opinion in the Independent Auditor's Report](#) – paragraphs [12](#), [14](#), [23](#) and [30](#)
- [CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report](#) – paragraph [12](#)
- [CAS 710, Comparative Information – Corresponding Figures and Comparative Financial Statements](#) – paragraph [18](#)
- [CAS 720, The Auditor's Responsibilities Relating to Other Information](#) – paragraphs [17-19](#)

[Former [Appendix 1](#) retained in Archived Pronouncements]

Footnotes

1. 1 CSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

13. See [CAS 570, Going Concern](#), paragraph [42\(e\)](#).

16. [CAS 705](#), paragraph [30](#)

17. [CAS 570, Going Concern](#), paragraph [25\(d\)](#)

18. [CAS 701](#), paragraph [17](#)

19. [CAS 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report](#), paragraph [12](#)

20. [CAS 720, The Auditor's Responsibilities Relating to Other Information](#), paragraph [18\(a\)](#)

1. CSQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

3. As described in paragraph [A68](#) of [CAS 700, Forming an Opinion and Reporting on Financial Statements](#), having responsibility for approving in this context means having the authority to conclude that all the statements and disclosures that comprise the financial statements have been prepared.

21. [CAS 700](#), paragraphs [46](#) and [A63](#)

22. [CAS 700](#), paragraph [41](#)

24. [CAS 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Canadian Auditing Standards](#), paragraph [14](#)

25. See, for example, paragraphs R400.80-R400.82 and R400.84 of the IESBA Code.

5. [CAS 600, Special Considerations – Audits of Group Financial Statements \(Including the Work of Component Auditors\)](#), paragraph [49](#)

1. 1. [CSQM 1](#), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

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