

CANADIAN AUDITING STANDARDS

CAS 265

communicating deficiencies in internal control to those charged with governance and management

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*](#).

- A6. Examples of matters that the auditor may consider in determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency include:
- The likelihood of the deficiencies leading to material misstatements in the financial statements in the future.
 - The susceptibility to loss or fraud of the related asset or liability.
 - The subjectivity and complexity of determining estimated amounts, such as fair value accounting estimates.
 - The financial statement amounts exposed to the deficiencies.
 - The volume of activity that has occurred or could occur in the account balance or class of transactions exposed to the deficiency or deficiencies.
 - The importance of the controls to the financial reporting process; for example:
 - o General monitoring controls (such as oversight of management).
 - o Controls over the prevention and detection of fraud.
 - o Controls over the selection and application of significant accounting policies.
 - o Controls over significant transactions with related parties.
 - o Controls over significant transactions outside the entity's normal course of business.
 - o Controls over the period-end financial reporting process (such as controls over non-recurring journal entries).
 - The cause and frequency of the exceptions detected as a result of the deficiencies in the controls.
 - The interaction of the deficiency with other deficiencies in internal control.
- A21. [CAS 250 establishes requirements and provides guidance on the reporting of identified or suspected non-compliance with laws and regulations, including when those charged with governance are themselves involved in such non-compliance.](#) [9 CAS 240 establishes requirements and provides guidance regarding communication to those charged with governance when the auditor has identified fraud or suspected fraud involving management.](#) [10](#)
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Footnotes

9 CAS 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraphs 23-29

10 CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 42

