

GENERAL ASSURANCE AND AUDITING SECTION 5925

an audit of internal control over financial reporting that is integrated with an audit of financial statements

Basis for Conclusions

(Effective for audits of internal control over financial reporting that are integrated with audits of financial statements for periods beginning on or after January 1, 2008) *

CONTENTS

Paragraph

Introduction

| | |
|---|--------|
| <u>Scope of this Section</u> | 1-10 |
| <u>Effective Date</u> | 11-11C |
| <u>Objective</u> | 12 |
| <u>Definitions</u> | 13 |
| <u>Requirements</u> | |
| <u>Management's Assessment</u> | 14 |
| <u>Standards for Assurance Engagements</u> | 15 |
| <u>Integration of Audits</u> | 16-21 |
| <u>Use of Suitable Criteria</u> | 22 |
| <u>Planning the Audit</u> | 23-28 |
| <u>Identifying Entity-level Controls</u> | 29-31 |
| <u>Identifying Significant Accounts and Disclosures and their Relevant Assertions</u> | 32-34 |
| <u>Understanding Likely Sources of Misstatement</u> | 35-39 |
| <u>Selecting Controls to Test</u> | 40 |
| <u>Testing Controls</u> | 41-65 |
| <u>Evaluating Identified Deficiencies</u> | 66-67 |
| <u>Forming an Opinion</u> | 68-73 |
| <u>Obtaining Written Representations</u> | 74-75 |
| <u>Communicating Certain Matters</u> | 76-82 |
| <u>Reporting on Internal Control Over Financial Reporting</u> | 83-93 |
| <u>Subsequent Events</u> | 94-98 |
| <u>Reliance on Another Auditor</u> | 99 |
| <u>Application and Other Explanatory Material</u> | |
| <u>Responsibilities of Management and the Auditor</u> | A1 |
| <u>Role of Risk Assessment</u> | A2-A4 |
| <u>Integration of Audits</u> | A5-A10 |

| | |
|--|---------|
| Use of Suitable Criteria | A11 |
| Planning the Audit | A12-A17 |
| Identifying Entity-level Controls | A18-A23 |
| Identifying Significant Accounts and Disclosures and their Relevant Assertions | A24-A28 |
| Understanding Likely Sources of Misstatement | A29-A36 |
| Selecting Controls to Test | A37-A38 |
| Testing Controls | A39-A72 |
| Evaluating Identified Deficiencies | A73-A78 |
| Forming an Opinion | A79 |
| Obtaining Written Representations | A80 |
| Reporting on Internal Control Over Financial Reporting | A81-A86 |
| Subsequent Events | A87 |
| Documentation | A88 |

Introduction

Scope of this Section

1. This Section establishes standards and provides guidance regarding the auditor's professional responsibilities when engaged to perform an audit of the effectiveness of internal control over financial reporting ("the audit of internal control over financial reporting") that is integrated with an audit of the financial statements.
2. Auditors may perform audit engagements regarding other aspects of an entity's internal control over financial reporting such as:
 - Engagements to audit only the design and operating effectiveness of an entity's internal control, that is not integrated with an audit of the financial statements.
 - Engagements to audit the design or operating effectiveness of a segment of an entity's internal control.
 - Engagements to audit only the suitability of design of an entity's internal control (no assertion is made about the operating effectiveness of the internal control).
 - Engagements to audit the design and operating effectiveness of an entity's internal control based on criteria established by a regulatory agency.

Such engagements would be performed in accordance with [CSAE 3000](#). 1 Section 5925, adapted as necessary, may also provide guidance where applicable, when performing such engagements.

Responsibilities of Management and the Auditor

3. Management's responsibility, in an audit of internal control over financial reporting, is to provide a written assessment about the effectiveness of internal control over financial reporting based on control criteria as at a specified date. (Ref: Para. [A1](#))
4. In conducting the audit of internal control over financial reporting, the auditor does not have the same familiarity with the entity's controls as management and does not interact with or observe these controls with the same frequency as management. Therefore, the auditor needs to perform audit procedures, as described in this Section, to understand and respond to financial reporting risks and to opine on internal control over financial reporting.

Characteristics of Effective Internal Control over Financial Reporting

5. Effective internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting framework. If one or more material weaknesses exist, the entity's internal control over financial reporting cannot be considered effective. A material weakness in internal control over financial reporting may exist even when financial statements are not materially misstated.

Role of Risk Assessment

6. Risk assessment underlies the entire audit process described by this Section, including the determination of significant accounts and disclosures and relevant assertions, the selection of controls to test, and the determination of the evidence necessary for a given control. (Ref: Para. [A2-A4](#))
7. There is a direct relationship between the degree of risk that a material weakness could exist in a particular area of the entity's internal control over financial reporting and the amount of attention to be devoted to that area. In addition, the risk that an entity's internal control over financial reporting fails to prevent or detect misstatements caused by fraud is

usually higher than the risk of failure to prevent or detect error. The majority of the auditor's attention is focused on the areas of highest risk.

Top-down Approach

8. The use of a top-down approach to select controls to test underlies the audit process as described by this Section. A top-down approach begins at the financial statement level and with the auditor's understanding of the overall risks to internal control over financial reporting. The auditor then focuses on entity-level controls and works down to significant accounts and disclosures and their relevant assertions. This approach directs the auditor's attention to accounts, disclosures, and assertions that present a reasonable possibility of material misstatement to the financial statements and related disclosures. The auditor then verifies this understanding of the risks in the entity's processes and selects for testing those controls that sufficiently address the assessed risk of misstatement to each relevant assertion.
9. The top-down approach describes the auditor's sequential thought process in identifying risks and the controls to test, not necessarily the order in which the auditor will perform the auditing procedures.

Relationship with CSQM 1

10. [CSQM 1](#) deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements. 2 It sets out the responsibilities of the firm for establishing quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence. CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. 3 [CSQM 2](#) deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. 4 A system of quality management addresses the following eight components: 5
 - (a) The firm's risk assessment process;
 - (b) Governance and leadership;
 - (c) Relevant ethical requirements;
 - (d) Acceptance and continuance of client relationships and assurance engagements;
 - (e) Engagement performance;
 - (f) Resources;
 - (g) Information and communication; and
 - (h) The monitoring and remediation process.

Firms or requirements may use different terminology or frameworks to describe the components of the system of quality management. (Ref: Para. [A88](#))

Effective Date

11. This Section is effective for audits of internal control over financial reporting that are integrated with audits of financial statements for periods beginning on or after January 1, 2008.
- 11A. Requirements in paragraphs [76-79](#), [83](#), [85-86](#), and [91](#) were revised on the initial issuance of Canadian Auditing Standards. These requirements are effective for audits of internal control over financial reporting that are integrated with audits of financial statements for periods ending on or after December 14, 2010.
- 11B. Paragraph [83](#) is effective for periods ending on or after December 15, 2011.
- 11C. The issuance of [CSQM 1](#), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, gave rise to conforming amendments in paragraph [83\(o\)](#). Paragraph [83\(o\)](#) is effective for periods beginning on or after December 15, 2022.

Objective

12. The objective of the auditor in an audit of internal control over financial reporting is to express an opinion on the effectiveness of the entity's internal control over financial reporting as at the date on which management has made its assessment of internal control over financial reporting.

Definitions

13. For the purposes of this Section, the following terms have the meanings attributed below:
 - (a) Control objective – A specific target against which to evaluate the effectiveness of controls. A control objective for internal control over financial reporting generally relates to a relevant assertion and states a criterion for evaluating whether the entity's control procedures in a specific area provide reasonable assurance that a misstatement or omission in that relevant assertion is prevented or detected by controls on a timely basis.
 - (b) Control deficiency – A deficiency in the design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in the design of a control exists when:
 - (i) A control necessary to meet the control objective is missing; or
 - (ii) An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

- A deficiency in the operation of a control exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
- (c) Financial statements and related disclosures – An entity's financial statements and notes to the financial statements as presented in accordance with the applicable financial reporting framework. References to financial statements and related disclosures do not extend to the preparation of management's discussion and analysis or other similar financial information presented outside an entity's applicable financial reporting framework-basis financial statements and notes.
 - (d) Internal control over financial reporting – A process designed by, or under the supervision of, the entity's principal executive and principal financial officers, or persons performing similar functions, and effected by those charged with governance, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting framework and includes those policies and procedures that:
 - (i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
 - (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the applicable financial reporting framework, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and
 - (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.
 - (e) Management's assessment – Management's written assertion based on its evaluation of the effectiveness of internal control over financial reporting as at a specified date, which is the date of the financial statements.
 - (f) Material weakness – A deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented or detected on a timely basis.
 - (g) Relevant assertion – A financial statement assertion that, without regard to the effect of controls, has a reasonable possibility of containing a misstatement or misstatements that would cause the financial statements to be materially misstated.
 - (h) Significant account or disclosure – An account or disclosure that, without regard to the effect of controls, could contain a misstatement that, individually or in aggregate with other misstatements, would have a material effect on the financial statements, considering the risks of both overstatement and understatement.
 - (i) Significant deficiency – A deficiency, or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the entity's financial reporting.

Requirements

Management's Assessment

14. The auditor shall obtain management's written assessment about the effectiveness of the entity's internal control over financial reporting. The required elements of management's written assessment are described in paragraph [72](#). (Ref: Para. [A83](#)-A84)

Standards for Assurance Engagements

15. When performing an audit of internal control over financial reporting, the auditor shall comply with [CSAE 3000](#).

Integration of Audits

16. The auditor shall integrate the audit of internal control over financial reporting with the audit of the financial statements by planning and performing the work to achieve the objectives of both audits. (Ref: Para. [A5](#)-A9)

Relevance of Financial Statement Audit Procedures to the Audit of Internal Control Over Financial Reporting

17. In an audit of internal control over financial reporting, the auditor shall evaluate the effect of the findings of the substantive audit procedures performed in the audit of financial statements on the effectiveness of internal control over financial reporting. This evaluation shall include, at a minimum:
 - (a) The auditor's risk assessments in connection with the selection and application of substantive procedures, especially those related to fraud;
 - (b) Findings with respect to illegal acts and related party transactions;
 - (c) Indications of management bias in making accounting estimates and in selecting accounting policies; and
 - (d) Misstatements detected by substantive procedures. The extent of such misstatements may alter the auditor's judgment about the effectiveness of controls.

18. When concluding on the effectiveness of internal control over financial reporting for purposes of expressing an opinion on internal control over financial reporting, the auditor shall incorporate the results of any additional tests of controls performed to achieve the objective related to expressing an opinion on the financial statements.

Relevance of the Audit of Internal Control Over Financial Reporting Procedures to the Financial Statement Audit

19. When concluding on the effectiveness of controls for the purpose of relying on their operating effectiveness in conducting the financial statement audit, the auditor also shall evaluate the results of any additional tests of controls performed to achieve the objective related to expressing an opinion on the entity's internal control over financial reporting. (Ref: Para. [A10](#))
20. When, during the audit of internal control over financial reporting, the auditor identifies a deficiency, the auditor shall determine the effect on the nature, timing, and extent of substantive procedures to be performed to reduce audit risk in the audit of the financial statements to an acceptably low level.
21. Regardless of the assessed level of control risk or the assessed risk of material misstatement in connection with the audit of the financial statements, the auditor shall perform substantive procedures for all relevant assertions. Performing procedures to express an opinion on internal control over financial reporting does not diminish this requirement.

Use of Suitable Criteria

22. In evaluating the effectiveness of the entity's internal control over financial reporting, the auditor shall use the same suitable, recognized control framework used by management in making its evaluation of the effectiveness of the entity's internal control over financial reporting. (Ref: Para. [A11](#))

Planning the Audit

23. The auditor shall identify matters that are important to the entity's financial statements and internal control over financial reporting and shall evaluate how such matters affect the nature, timing, and extent of audit procedures to be performed. (Ref: Para. [A12](#))
24. In planning the audit of internal control over financial reporting, the auditor shall use the same materiality considerations as would be used in planning the audit of the entity's financial statements.

Addressing the Risk of Fraud

25. When planning and performing the audit of internal control over financial reporting, the auditor shall take into account the results of the auditor's fraud risk assessment procedures. As part of identifying and testing entity-level controls, as discussed in paragraph [29](#), and selecting other controls to test, as discussed in paragraph [40](#), the auditor shall evaluate:
 - (a) Programs and controls that address identified risks of material misstatement due to fraud; and
 - (b) Controls intended to address the risk of management override of other controls. (Ref: Para. [A13](#))
26. If the auditor identifies deficiencies in controls designed to prevent or detect fraud during the audit of internal control over financial reporting, the auditor shall take into account those deficiencies when developing the auditor's responses to risks of material misstatement during the financial statement audit, as provided in [CAS 240](#). 6 , *

Using the Work of Others

27. The auditor shall evaluate the extent to which the work of others will be used to reduce the work the auditor would have otherwise performed. (Ref: Para. [A14](#)-[A16](#))
28. The auditor shall assess the competence and objectivity of the persons whose work the auditor plans to use to evaluate the extent to which the auditor may use their work. (Ref: Para. [A17](#))

Identifying Entity-level Controls

29. The auditor shall test those entity-level controls that are important to the auditor's conclusion about whether the entity has effective internal control over financial reporting. (Ref: Para. [A18](#)-[A21](#))

Control Environment

30. Because of its importance to effective internal control over financial reporting, the auditor shall evaluate the control environment at the entity. When evaluating the control environment, the auditor shall assess:
 - (a) Whether management's philosophy and operating style promote effective internal control over financial reporting;
 - (b) Whether sound integrity and ethical values, particularly of top management, are developed and understood; and
 - (c) Whether those charged with governance or the audit committee or equivalent understand and exercise oversight responsibility over financial reporting and internal control over financial reporting.

Period-end Financial Reporting Process

31. Because of its importance to financial reporting and to the auditor's opinions on internal control over financial reporting and the financial statements, the auditor shall evaluate the period-end financial reporting process. When evaluating the period-end financial reporting process, the auditor shall assess:
 - (a) Inputs, procedures performed, and outputs of the processes the entity uses to produce its annual and interim financial statements;
 - (b) The extent of information technology involvement in the period-end financial reporting process;
 - (c) Who participates from management;

- (d) The locations involved in the period-end financial reporting process;
- (e) The types of adjusting and consolidating entries; and
- (f) The nature and extent of the oversight of the process by management, those charged with governance, and the audit committee or equivalent. (Ref: Para. [A22](#)-[A23](#))

Identifying Significant Accounts and Disclosures and Their Relevant Assertions

- 32. The auditor shall identify significant accounts and disclosures and their relevant assertions. To identify significant accounts and disclosures and their relevant assertions, the auditor shall evaluate the qualitative and quantitative risk factors related to the financial statement line items and disclosures. (Ref: Para. [A24](#)-[A25](#))
- 33. As part of identifying significant accounts and disclosures and their relevant assertions, the auditor shall determine the likely sources of potential misstatements that would cause the financial statements to be materially misstated. (Ref: Para. [A26](#))
- 34. In the identification of significant accounts and disclosures and their relevant assertions, the auditor shall evaluate the same risk factors in the audit of internal control over financial reporting as in the audit of the financial statements. (Ref: Para. [A27](#)-[A28](#))

Understanding Likely Sources of Misstatement

- 35. To further understand the likely sources of potential misstatements, and as a part of selecting the controls to test, the auditor shall:
 - (a) Understand the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed and recorded;
 - (b) Identify the points within the entity's processes at which a misstatement, including a misstatement due to fraud, could arise that, individually or in combination with other misstatements, would be material;
 - (c) Identify the controls that management has implemented to address these potential misstatements; and
 - (d) Identify the controls that management has implemented over the prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could result in a material misstatement of the financial statements. (Ref: Para. [A29](#)-[A32](#))

Multiple Locations or Components

- 36. In determining the locations or components at which to perform tests of controls, the auditor shall assess the risk of material misstatement of the financial statements associated with the location or component and shall correlate the amount of audit attention devoted to the location or component with the degree of risk. * (Ref: Para. [A33](#)-[A35](#))
- 37. When an entity has multiple locations or components, the auditor shall identify significant accounts and disclosures and their relevant assertions based on the consolidated financial statements. *

Special Situations

- 38. For equity method investments, the scope of the audit shall include controls over the reporting in accordance with the applicable financial reporting framework, in the entity's financial statements, of the entity's portion of the investees' income or loss, the investment balance, adjustments to the income or loss and investment balance, and related disclosures. The audit would not extend to controls at the equity method investee. *
- 39. The presumption of this Section is that all entities that are included in the financial statements that are the subject of the financial statement audit are also included in the audit of internal control over financial reporting. Management may limit its assessment of internal control over financial reporting by excluding entities only when:
 - (a) Management does not have sufficient access to the underlying entities to evaluate the design and operating effectiveness of those controls; or
 - (b) For recently acquired entities, it is not feasible to evaluate the design and operating effectiveness of those controls.

In such situations, the auditor shall evaluate the reasonableness of management's conclusion that it may limit its assessment, limit the audit in the same manner, and evaluate the appropriateness of any required disclosure related to such a limitation. Paragraphs [72](#) and [92](#)-[93](#) provide guidance regarding reporting for these special situations. (Ref: Para. [A36](#))

Selecting Controls to Test

- 40. The auditor shall test those controls that are important to the auditor's conclusion about whether the entity's controls sufficiently address the assessed risk of misstatement to each relevant assertion. (Ref: Para. [A37](#)-[A38](#))

Testing Controls

Testing Design and Operating Effectiveness

- 41. The auditor shall test the design effectiveness of controls by assessing whether the entity's controls, if they are operated as prescribed by persons possessing the necessary authority and competence to perform the control effectively, satisfy the entity's control objectives and can effectively prevent or detect errors or fraud that could result in material misstatements in the financial statements. (Ref: Para. [A39](#)-[A41](#))

42. The auditor shall test the operating effectiveness of a control to assess whether the control is operating as designed and whether the person performing the control possesses the necessary authority and competence to perform the control effectively. (Ref: Para. [A42](#))

Testing of Relevant Assertions

43. To express an opinion on internal control over financial reporting taken as a whole, the auditor shall obtain evidence about the design and operating effectiveness of selected controls over all relevant assertions. (Ref: Para. [A43](#))

Relationship of Risk to the Evidence to be Obtained

44. For each control selected for testing, the auditor shall assess the risk that the control might not be effective and, if not effective, the risk that a material weakness would result. As the risk associated with the control being tested increases, the evidence that the auditor shall obtain also increases. (Ref: Para. [A44-A47](#))

Timing of Tests of Controls

45. The auditor shall balance performing the tests of controls closer to the as-at date with the need to test controls over a sufficient period of time to obtain sufficient appropriate audit evidence of operating effectiveness. (Ref: Para. [A48](#))

46. To express an opinion on internal control over financial reporting as at a point in time, the auditor shall obtain evidence that internal control over financial reporting has operated effectively for a sufficient period of time, which may be less than the entire period (ordinarily one year) covered by the entity's financial statements.

Direct Testing of Controls

47. The auditor shall test a control directly to obtain evidence about its effectiveness. (Ref: Para. [A49](#))

Testing of Automated Controls

48. To determine whether to use a benchmarking strategy for testing automated controls, the auditor shall assess risk factors. As these factors indicate lower risk, the control being evaluated may be well-suited for benchmarking. To the extent these factors indicate increased risk, the control being evaluated is less well-suited for benchmarking. (Ref: Para. [A50-A53](#))

49. When the auditor has used a benchmarking strategy, the auditor shall re-establish the baseline of the operation of an automated application control after a period of time, the length of which depends upon the circumstances. (Ref: Para. [A54-A55](#))

Additional Evidence Following Interim Testing

50. When tests of controls have been performed at an interim date, the auditor shall determine what additional evidence is necessary concerning the operation of controls for the period between the interim date and the as-at date. (Ref: Para. [A56](#))

Superseded Controls

51. Prior to the date specified in management's assessment, management might implement changes to the entity's controls to make them more effective or efficient or to address control deficiencies. If the operating effectiveness of the superseded controls is important to the auditor's control risk assessment, the auditor shall test the design and operating effectiveness of those superseded controls, as appropriate. If the auditor determines that the new controls achieve the related objectives of the control criteria and have been in effect for a sufficient period to permit the auditor to assess their design and operating effectiveness by performing tests of controls, the auditor will not need to test the design and operating effectiveness of the superseded controls for purposes of expressing an opinion on internal control over financial reporting.

Use of Service Organizations

52. When a service organization's services are part of the entity's internal control over financial reporting, the auditor shall include the activities of the service organization when determining the evidence required to support the auditor's opinion. (Ref: Para. [A57-A61](#))

53. If the evidence regarding operating effectiveness of controls comes from an agreed-upon procedures report rather than a service auditor's report, the auditor shall evaluate whether the agreed-upon procedures report provides sufficient appropriate audit evidence in the same manner described in paragraph [54](#).

54. The auditor shall evaluate whether a service auditor's report on controls placed in operation and tests of operating effectiveness provides sufficient appropriate audit evidence by considering the following factors:
- The time period covered by the tests of controls and its relation to the as-at date of management's assessment;
 - The scope of the examination and applications covered, the controls tested, and the way in which tested controls relate to the entity's controls; and
 - The results of those tests of controls and the service auditor's opinion on the operating effectiveness of the controls.

These factors are similar to factors the auditor considers in considering whether the nature, timing, and extent of such tests of controls and results provide sufficient appropriate audit evidence about the operating effectiveness of the controls to support the auditor's assessed level of control risk.

55. If the service auditor's report on controls placed in operation and tests of operating effectiveness contains a qualification that the stated control objectives might be achieved only if the entity applies controls contemplated in the design of the system by the service organization, the auditor shall evaluate whether the entity is applying the necessary procedures.
56. In determining whether the service auditor's report provides sufficient appropriate audit evidence to support the auditor's opinion, the auditor shall make inquiries concerning the service auditor's reputation, competence, and independence.
57. When a significant period of time has elapsed between the time period covered by the tests of controls in the service auditor's report and the date specified in management's assessment, the auditor shall perform additional procedures including inquiry of management to determine whether management has identified any changes in the service organization's controls subsequent to the period covered by the service auditor's report. (Ref: Para. [A62](#))
58. When management has identified changes in controls at the service organization, the auditor shall evaluate the effect of such changes on the effectiveness of the entity's internal control over financial reporting.
59. The auditor shall evaluate whether the results of other audit procedures performed indicate that there have been changes in the controls at the service organization.
60. The auditor shall determine whether to obtain additional evidence about the operating effectiveness of controls at the service organization based on the procedures performed by management or the auditor and the results of those procedures and on an evaluation of the following risk factors:
 - (a) The elapsed time between the time period covered by the tests of controls in the service auditor's report and the date specified in management's assessment;
 - (b) The significance of the activities of the service organization;
 - (c) Whether there are errors that have been identified in the service organization's processing; and
 - (d) The nature and significance of any changes in the service organization's controls identified by management or the auditor.

As risk increases, the need for the auditor to obtain additional evidence increases. (Ref: Para. [A63](#))

61. The auditor shall not refer to the service auditor's report when expressing an opinion on internal control over financial reporting.

Considerations for Subsequent Years' Audits

62. In subsequent years' audits, the auditor shall incorporate knowledge obtained during past audits performed on the entity's internal control over financial reporting into the decision-making process for determining the nature, timing, and extent of testing necessary. (Ref: Para. [A64](#)-[A66](#))
63. The auditor shall vary the nature, timing, and extent of testing of controls from year to year to introduce unpredictability into the testing and respond to changes in circumstances. (Ref: Para. [A67](#))

Effect of Deviations

64. When the auditor identifies deviations from the entity's controls, the auditor shall evaluate the effect of the deviations on the auditor's assessment of the risk associated with the control being tested and the evidence to be obtained, as well as the design and operating effectiveness of the control. (Ref: Para. [A68](#))

Sufficiency and Appropriateness of Evidence Obtained

65. The auditor shall evaluate whether the nature, timing, and extent of procedures performed provide sufficient appropriate audit evidence to form a reasonable basis for the auditor's opinion on the entity's internal control over financial reporting. (Ref: Para. [A69](#)-[A72](#))

Evaluating Identified Deficiencies

66. The auditor shall evaluate the severity of each control deficiency that comes to the auditor's attention to determine whether the deficiencies, individually or in combination, are material weaknesses as at the date of management's assessment. The severity of a deficiency depends on:
 - (a) Whether there is a reasonable possibility that the entity's controls will fail to prevent or detect a misstatement of an account balance or disclosure;
 - (b) The magnitude of the potential misstatement resulting from the deficiency or deficiencies; and
 - (c) The level of detail and degree of assurance that would satisfy prudent officials in the conduct of their own affairs that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with the applicable financial reporting framework. * (Ref: Para. [A73](#)-[A78](#))
67. The auditor shall evaluate the effect of compensating controls when determining whether a control deficiency or combination of deficiencies is a material weakness. To have a mitigating effect, the compensating control would have to operate at a level of precision that would prevent or detect a misstatement that could be material.

Forming an Opinion

68. The auditor shall form an opinion on the effectiveness of internal control over financial reporting by evaluating evidence obtained from all sources, including the auditor's testing of controls, misstatements detected during the financial statement audit, and any identified control deficiencies. (Ref: Para. [A79](#))

Adverse Opinion

69. An entity's internal control over financial reporting cannot be considered effective if one or more material weaknesses exist. If there are deficiencies that, individually or in combination, result in one or more material weaknesses, the auditor shall express an adverse opinion on the entity's internal control over financial reporting, unless there is a restriction on the scope of the engagement. When there is a restriction on the scope of the engagement, the auditor shall follow the requirement in paragraph [71](#).
70. The auditor shall determine the effect the adverse opinion on internal control over financial reporting has on the auditor's opinion on the financial statements.

Disclaimer of Opinion

71. The auditor can express an opinion on the entity's internal control over financial reporting only if the auditor has been able to apply the procedures necessary in the circumstances. If there are restrictions on the scope of the engagement, the auditor shall withdraw from the engagement or disclaim an opinion. A disclaimer of opinion states that the auditor does not express an opinion on the effectiveness of internal control over financial reporting. Paragraphs [89](#)-[91](#) provide the auditor's reporting requirements when disclaiming an opinion. *

Auditor Evaluation Responsibilities with Respect to Management's Assessment

72. After forming an opinion on the effectiveness of the entity's internal control over financial reporting, the auditor shall evaluate the presentation of the elements that management presents in its written assessment on internal control over financial reporting. The required elements of management's written assessment shall:
 - (a) Identify any excluded entity pursuant to paragraph [39](#), and for those excluded entities include summary financial information;
 - (b) Include a statement acknowledging management's responsibility for establishing and maintaining effective internal control over financial reporting;
 - (c) State that management has performed an evaluation and made an assessment of the effectiveness of the entity's internal control over financial reporting and specify the control criteria, and
 - (d) State management's conclusion about the effectiveness of the entity's internal control over financial reporting based on the control criteria as at a specified date, including an explicit statement as to whether internal control over financial reporting is effective.
73. If the auditor determines that any required elements of management's written assessment on internal control over financial reporting are incomplete or improperly presented, the auditor shall follow the direction in paragraphs [86](#)-[88](#).

Obtaining Written Representations

74. In an audit of internal control over financial reporting, the auditor shall obtain written representations from management:
 - (a) Acknowledging management's responsibility for establishing and maintaining effective internal control over financial reporting;
 - (b) Stating that management has performed an evaluation and made an assessment of the effectiveness of the entity's internal control over financial reporting and specifying the control criteria;
 - (c) Stating that management did not use the auditor's procedures performed during the audits of internal control over financial reporting or the financial statements as part of the basis for management's assessment of the effectiveness of internal control over financial reporting;
 - (d) Stating management's conclusion, as set forth in its assessment, about the effectiveness of the entity's internal control over financial reporting based on the control criteria as at a specified date;
 - (e) Stating that management has disclosed to the auditor all deficiencies in the design or operation of internal control over financial reporting identified as part of management's evaluation, including separately disclosing to the auditor all such deficiencies that it believes to be significant deficiencies or material weaknesses in internal control over financial reporting;
 - (f) Describing any fraud resulting in a material misstatement to the entity's financial statements and any other fraud that does not result in a material misstatement to the entity's financial statements but involves senior management or management or other employees who have a significant role in the entity's internal control over financial reporting;
 - (g) Stating whether control deficiencies identified and communicated to those charged with governance during previous engagements pursuant to paragraph [79](#) have been resolved, and specifically identifying any that have not; and
 - (h) Stating whether there were, subsequent to the date being reported on, any changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses. * (Ref: Para. [A80](#))
75. The failure to obtain written representations from management, including management's refusal to furnish them, constitutes a limitation on the scope of the audit. When the scope of the audit is limited, the auditor shall either

withdraw from the engagement or disclaim an opinion. Further, the auditor shall evaluate the effects of management's refusal on the auditor's ability to rely on other representations, including those obtained in the audit of the entity's financial statements. *

Communicating Certain Matters

76. When the auditor concludes that an opinion on the effectiveness of internal control over financial reporting cannot be expressed because there has been a limitation on the scope of the audit, the auditor shall communicate, in writing, to management and those charged with governance that the audit of internal control over financial reporting cannot be satisfactorily completed.
77. Prior to issuing the auditor's report on internal control over financial reporting, the auditor shall communicate, in writing, to management and those charged with governance all material weaknesses identified during the audit.
78. If the auditor concludes that the oversight of the entity's external financial reporting and internal control over financial reporting by the entity's audit committee or equivalent is ineffective, the auditor shall communicate that conclusion in writing, to those charged with governance.
79. The auditor determines whether there are any deficiencies, or combinations of deficiencies, that have been identified during the audit that are significant deficiencies and the auditor shall communicate such deficiencies, in writing, to those charged with governance.
80. The auditor shall communicate to management, in writing, all deficiencies in internal control over financial reporting (i.e., those deficiencies in internal control over financial reporting that are of a lesser magnitude than material weaknesses) identified during the audit and inform those charged with governance when such a communication has been made. It is not necessary for the auditor to repeat information about such deficiencies that has been included in previously issued written communications, whether those communications were made by the auditor, internal auditors, or others within the organization. Furthermore, the auditor is not required to perform procedures that are sufficient to identify all control deficiencies; rather, the auditor's communication of deficiencies in internal control over financial reporting reflects the deficiencies of which the auditor is aware. *
81. Because the audit of internal control over financial reporting does not provide the auditor with assurance that all deficiencies less severe than a material weakness have been identified, the auditor shall not issue a communication stating that no significant deficiencies were noted during the audit.
82. When the auditor becomes aware of fraud or possible illegal acts during the audit of internal control over financial reporting, the auditor shall determine his or her responsibilities under [CAS 240](#) and CAS 250. 7 , *

Reporting on Internal Control Over Financial Reporting

83. The report on the audit of internal control over financial reporting shall include the following elements:
 - (a) A title clearly stating that the report is that of an independent auditor;
 - (b) An identification of to whom the report is directed;
 - (c) An identification of the effectiveness of the entity's internal control over financial reporting as at a specified date;
 - (d) Under a section with the heading "Management's [or other appropriate term] Responsibility", a statement that management is responsible for maintaining effective internal control over financial reporting;
 - (e) Under a section with the heading "Auditor's Responsibility", a statement that the auditor's responsibility is to express an opinion based on the audit, on the entity's internal control over financial reporting in accordance with suitable criteria (for example, criteria established in "Guidance on Control" (CoCo Framework) published by the Chartered Professional Accountants of Canada or "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO));
 - (f) A definition of internal control over financial reporting as stated in paragraph [13](#);
 - (g) A statement that the audit was performed in accordance with the standards for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance;
 - (h) A statement that this standard requires that the auditor plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects;
 - (i) A statement that an audit includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk, and performing such other procedures as the auditor considered necessary in the circumstances;
 - (j) A statement as to whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion;
 - (k) A paragraph stating that, because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and that projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate;

- (l) Under a section with the heading "Opinion", the auditor's opinion on whether the entity maintained, in all material respects, effective internal control over financial reporting as at the specified date, in accordance with the control criteria;
 - (m) The manual or printed signature of the auditor's firm;
 - (n) The location in the jurisdiction where the auditor practices; and
 - (o) The date of the audit report. When an engagement quality review is required in accordance with CSQM 1 or the firm's policies or procedures, the auditor shall not date the report until the completion of the engagement quality review. (Ref: Para. [A81-A83](#))
84. When the auditor chooses to issue separate reports on the financial statements and internal control over financial reporting, the auditor shall add the following paragraph below the opinion paragraph:
- (a) To the report on internal control over financial reporting:
We also have audited, in accordance with Canadian generally accepted auditing standard, the [identify financial statements] of and issued our report dated [date of report, which shall be the same as the date of the report on the effectiveness of internal control over financial reporting]; and
 - (b) When, under the terms of the auditor's engagement, there are no restrictions on the distribution of management's written assessment and the auditor's report on internal control over financial reporting, add to the report on the financial statements:
We also have audited, in accordance with the standards for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance, the entity's internal control over financial reporting as at December 31, 20X0, in accordance with [identify control criteria] and issued our report dated [date of report, which shall be the same as the date of the report on the financial statements].
- When, under the terms of the auditor's engagement, there are restrictions on the distribution of management's written assessment and the auditor's report on internal control over financial reporting, the auditor shall not refer to the audit of internal control over financial reporting in the auditor's report on the financial statements. (Ref: Para. [A84](#))
85. The date of the auditor's report on internal control over financial reporting shall be the same date as the date of the auditor's report on the financial statements. (Ref: Para. [A85](#))

Adverse Opinion

86. When expressing an adverse opinion on internal control over financial reporting because of a material weakness, the auditor shall include the following in the auditor's report:
- (a) The definition of a material weakness, as provided in paragraph [13](#);
 - (b) A statement that a material weakness has been identified and an identification of the material weakness described in management's assessment;
 - (c) A statement that discloses whether the auditor's opinion on the financial statements was affected by the adverse opinion on internal control over financial reporting;
 - (d) A heading "Basis for Adverse Opinion" for the matters described in (a)-(c) above and a paragraph describing these matters immediately before the opinion paragraph;
 - (e) A heading "Adverse Opinion" for the opinion paragraph; and
 - (f) An amended description of the auditor's responsibility to state that the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's adverse opinion.
87. If the material weakness has been included in management's assessment but the auditor concludes that the disclosure of the material weakness is not fairly presented in all material respects, the auditor's report shall include this conclusion as well as the information necessary to fairly describe the material weakness.
88. If there are material weaknesses that have not been disclosed in management's assessment, the auditor shall modify the auditor's report by:
- (a) modifying the statement in paragraph [86](#) to state that a material weakness has been identified but not included in management's assessment; and
 - (b) including a description of the material weakness that provides the users of the auditor's report with specific information about the nature of the material weakness, and its actual and potential effect on the presentation of the entity's financial statements issued during the existence of the material weakness.

Disclaimer of Opinion

89. When disclaiming an opinion because of a scope limitation, the auditor shall state that the scope of the audit was not sufficient to warrant the expression of an opinion and, in a separate paragraph or paragraphs of the auditor's report, the substantive reasons for the disclaimer. *
90. When disclaiming an opinion, the auditor shall not identify in the auditor's report, the procedures performed or include the statements describing the characteristics of an audit of internal control over financial reporting so as not to overshadow the disclaimer. * (Ref: Para. [A86](#))

91. When disclaiming an opinion and the limited procedures performed caused the auditor to conclude that a material weakness exists, the auditor shall include the following in the auditor's report:
- (a) The definition of a material weakness, as provided in paragraph [13](#);
 - (b) A description of any material weaknesses that provides the users of the audit report with specific information about the nature of any material weakness, and its actual and potential effect on the presentation of the entity's financial statements issued during the existence of the weakness;
 - (c) The requirements in paragraphs [86\(a\)-\(c\)](#) and [88](#);
 - (d) A heading "Basis for Disclaimer of Opinion" for the matters described in (a)-(c) above and a paragraph describing these matters immediately before the opinion paragraph; and
 - (e) A heading "Disclaimer of Opinion" for the opinion paragraph.

Special Situations

92. A situation in which management limits its assessment of internal control over financial reporting by excluding entities, as per paragraph [39](#), is not considered a scope limitation. However, in these situations, the auditor shall include, either in an additional explanatory paragraph or as part of the scope paragraph in the auditor's report, a disclosure similar to management's regarding the exclusion of an entity from the scope of both management's assessment and the auditor's audit of internal control over financial reporting.
93. If the auditor believes that management's disclosure about the limitation requires modification, the auditor shall follow the same communication responsibilities that are described in paragraphs [76-82](#). If management and those charged with governance do not respond appropriately, in addition to fulfilling those responsibilities, the auditor shall modify his or her report on the audit of internal control over financial reporting to include an explanatory paragraph describing the reasons why the auditor believes management's disclosure requires modification. *

Subsequent Events

94. The auditor shall inquire of management whether, subsequent to the date as at which internal control over financial reporting was being audited but before the date of the auditor's report, there were any changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting. (Ref: Para. [A87](#))
95. When the auditor obtains knowledge about subsequent events that materially and adversely affect the effectiveness of the entity's internal control over financial reporting as at the date specified in management's assessment, the auditor shall issue an adverse opinion on internal control over financial reporting.
96. When the auditor is unable to determine the effect of a subsequent event on the effectiveness of the entity's internal control over financial reporting, the auditor shall disclaim an opinion. *
97. The auditor may obtain knowledge about subsequent events that relate to conditions that did not exist at the date specified in management's assessment but arose subsequent to that date and before the issuance of the auditor's report. If a subsequent event of this type has a material effect on the entity's internal control over financial reporting, the auditor shall include in the audit report an explanatory paragraph describing the event and its effects or directing the reader's attention to the event and its effects as disclosed in management's assessment.
98. After the issuance of the auditor's report on internal control over financial reporting, the auditor may become aware of conditions that existed at the report date that may have affected the opinion if the auditor had been aware of them. The auditor's evaluation of such subsequent information is similar to the auditor's evaluation of information discovered subsequent to the date of the report on an audit of financial statements, and thus the auditor shall follow the requirements as described in [CAS 560](#). 8 , *

Reliance on Another Auditor

99. When other auditors are involved in the audit of the financial statements and internal control over financial reporting of components, the primary auditor of the entity's financial statements shall be the primary auditor of the entity's internal control over financial reporting.

Application and Other Explanatory Material

Responsibilities of Management and the Auditor (Ref: Para. [3](#))

- A1. In the situation where the entity is a Canadian reporting issuer, the issuer's regulatory filings and the documentation that supports those filings may serve as management's written assessment. Factors that the auditor may consider in making this determination include:
- (a) The recognized control framework expressed in the filings; and
 - (b) The criteria used to determine the classification of any deficiency.

Role of Risk Assessment (Ref: Para. [6-7](#))

- A2. Considering the complexity of the organization, business unit or process, may assist in the auditor's risk assessment and the determination of necessary procedures.

- A3. Many smaller entities have less complex operations. Additionally, some larger, complex entities may have less complex units or processes. Factors that might indicate less complex operations include:
- Fewer business lines.
 - Less complex business processes and financial reporting systems.
 - More centralized accounting functions.
 - Extensive involvement by senior management in the day-to-day activities of the business; and fewer levels of management, each with a wide span of control.
- A4. The size and complexity of the entity, its business processes, and components, may affect the way in which the entity achieves many of its control objectives. The size and complexity of the entity also might affect the risks of misstatement, the controls necessary to address those risks. Scaling is most effective as a natural extension of the risk-based approach and applicable to the audits of all entities. Accordingly, a smaller, less complex entity, or even a larger, less complex entity might achieve its control objectives differently than a more complex entity.

Integration of Audits (Ref: Para. 16)

- A5. In an integrated audit of internal control over financial reporting and the financial statements, the procedures to test controls may be designed to accomplish the following objectives of both audits simultaneously:
- (a) To obtain sufficient appropriate audit evidence to support the auditor's opinion on internal control over financial reporting as at year-end; and
 - (b) To obtain sufficient appropriate audit evidence to support the auditor's control risk assessment for purposes of the audit of financial statements.

Tests of Controls in an Audit of Internal Control Over Financial Reporting

- A6. The objective of the tests of controls in an audit of internal control over financial reporting is to obtain evidence about the effectiveness of controls to support the auditor's opinion on the entity's internal control over financial reporting. The auditor's opinion relates to the effectiveness of the entity's internal control over financial reporting as at a point in time and taken as a whole.

Tests of Controls in an Audit of Financial Statements

- A7. To express an opinion on the financial statements, the auditor may perform both tests of controls and substantive procedures. The objective of the tests of controls the auditor performs for this purpose is to assess control risk. The auditor's assessment of risks of material misstatement at the assertion level may include an expectation that the controls are operating effectively (i.e., the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures). In such cases, the auditor obtains evidence that the relevant controls operated effectively during the entire period upon which the auditor plans to place reliance on those controls. When making risk assessments as part of the financial statement audit, it is unlikely that the auditor will choose to take account of controls over all relevant assertions and thus have to test the operating effectiveness of controls over all relevant assertions, and for a variety of reasons, the auditor may choose not to do so.
- A8. Obtaining sufficient appropriate audit evidence to support a control risk assessment of low for purposes of the financial statement audit may allow the auditor to reduce the amount of substantive audit work that otherwise would have been necessary to opine on the financial statements.

Considerations Specific to Smaller Entities

- A9. In some circumstances, particularly in some audits of smaller and less complex entities, the auditor may choose not to assess control risk as low for purposes of the audit of the financial statements. In such circumstances, the auditor tests the operating effectiveness of controls principally for the purpose of supporting his or her opinion on whether the entity's internal control over financial reporting is effective as at year-end. The results of the auditor's financial statement auditing procedures may also provide information for the auditor's risk assessments in determining the testing necessary to conclude on the effectiveness of a control.

Relevance of the Audit of Internal Control Over Financial Reporting Procedures to the Financial Statement Audit (Ref: Para. 19)

- A10. In evaluating the results of any additional tests of controls performed as part of the audit of internal control over financial reporting, the auditor may respond as follows:
- (a) Alter the nature, timing, and extent of substantive procedures; or
 - (b) Plan and perform further tests of controls, particularly in response to identified control deficiencies.

Use of Suitable Criteria (Ref: Para. 22)

- A11. Examples of a recognized control framework, or control criteria, established by a body or group that followed due process procedures, including the broad distribution of the framework for public comment include:
- The "Guidance on Control" (CoCo Framework) published by Criteria of Control Board 9 of the Chartered Professional Accountants of Canada.
 - "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Planning the Audit (Ref: Para. 23-24)

A12. Matters that may be important to the entity's financial statements and internal control over financial reporting include:

- The auditor's knowledge of the entity's internal control over financial reporting obtained during other engagements.
- The auditor's preliminary judgments about materiality, risk, and other factors relating to the determination of material weaknesses.
- The auditor's preliminary judgments about the effectiveness of internal control over financial reporting.
- Matters affecting the industry in which the entity operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes.
- Matters relating to the entity's business, including its organization, operating characteristics, and capital structure.
- The extent of recent changes, if any, in the entity, its operations, or its internal control over financial reporting.
- Control deficiencies previously communicated to the audit committee or equivalent, or management.
- Legal or regulatory matters of which the entity is aware.
- The type and extent of available evidence related to the effectiveness of the entity's internal control over financial reporting.
- Public information about the entity relevant to the evaluation of the likelihood of material financial statement misstatements and the effectiveness of the entity's internal control over financial reporting.
- Knowledge about risks related to the entity evaluated as part of the auditor's client acceptance and retention evaluation.
- The relative complexity of the entity's operations.

Addressing the Risk of Fraud (Ref: Para. 25)

A13. Controls that might address these risks include:

- Controls over significant, unusual transactions, particularly those that result in late or unusual journal entries.
- Controls over journal entries and adjustments made in the period-end financial reporting process.
- Controls over related party transactions.
- Controls related to significant management estimates.
- Controls that mitigate incentives for, and pressures on, management to falsify or inappropriately manage financial results.

Using the Work of Others (Ref: Para. 27-28)

A14. [CSAE 3000](#) establishes requirements and provides guidance that may be applied to using the work of others as it relates to an audit of internal control over financial reporting, including assessing the competence and objectivity of persons whose work the auditor plans to use.

A15. For purposes of the audit of internal control over financial reporting, the auditor may use the work performed by, or receive direct assistance from, internal auditors, entity personnel (in addition to internal auditors), and third parties working under the direction of management or the audit committee or equivalent that provides evidence about the effectiveness of internal control over financial reporting. In an integrated audit of internal control over financial reporting and the financial statements, the auditor also may use this work to obtain evidence supporting the auditor's assessment of control risk for purposes of the audit of the financial statements.

A16. The extent to which the auditor may use the work of others in an audit of internal control over financial reporting also depends on the risk associated with the control being tested. As the risk associated with a control increases, the need for the auditor to perform his or her own work on the control may also increase.

A17. For purposes of using the work of others, competence means the attainment and maintenance of a level of understanding and knowledge that enables that person to perform ably the tasks assigned to them, and objectivity means the ability to perform those tasks impartially and with intellectual honesty. The following considerations regarding the person whose work the auditor plans to use, may assist the auditor in assessing competence and objectivity:

- (a) Qualifications;
- (b) Ability to perform the work; and
- (c) Factors that inhibit or promote the ability of the person to perform the work with the necessary degree of objectivity.

The higher the degree of competence and objectivity, the greater use the auditor may make of the work. The lower the degree of objectivity, regardless of their level of competence and likewise, the lower the level of competence, regardless of the degree of objectivity, the lesser use the auditor may make of this work.

Identifying Entity-level Controls (Ref: Para. 29)

A18. The auditor's evaluation of the entity-level controls may result in the auditor increasing or decreasing the testing that the auditor otherwise would have performed on other controls.

A19. Entity-level controls vary in nature and precision, for example:

- Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls.
- Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls.
- Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk.

A20. Entity-level controls include:

- Controls related to the control environment.
- Controls over management override.
- The entity's risk assessment process.
- Centralized processing and controls, including shared service environments.
- Controls to monitor results of operations.
- Controls to monitor other controls, including activities of the internal audit function, the audit committee or equivalent, and self-assessment programs.
- Controls over the period-end financial reporting process.
- Policies that address significant business control and risk management practices.

Considerations Specific to Smaller Entities

A21. Controls over management override are important to effective internal control over financial reporting for all entities, and may be particularly important at smaller entities because of the increased involvement of senior management in performing controls and in the period-end financial reporting process. For smaller entities, the controls that address the risk of management override might be different from those at a larger entity. For example, a smaller entity might rely on more detailed oversight by the audit committee or equivalent that focuses on the risk of management override.

Period-end Financial Reporting Process (Ref: Para. 31)

A22. The period-end financial reporting process includes the following:

- Procedures used to enter transaction totals into the general ledger;
- Procedures related to the selection and application of accounting policies;
- Procedures used to initiate, authorize, record, and process journal entries in the general ledger;
- Procedures used to record recurring and nonrecurring adjustments to the annual and interim financial statements; and
- Procedures for preparing annual and interim financial statements and related disclosures.

The auditor may test those controls after the as-at date, when the annual period-end financial reporting process occurs after the as-at date of management's assessment.

A23. The auditor may consider those interim controls that are important to determining whether the entity's controls sufficiently address the assessed risk of misstatement to each relevant assertion as at the date of management's assessment. However, the auditor is not required to obtain sufficient evidence for each quarter individually.

Identifying Significant Accounts and Disclosures and their Relevant Assertions (Ref: Para. 32-34)

A24. Relevant assertions are those financial statement assertions that have a reasonable possibility of containing a misstatement that may cause the financial statements to be materially misstated. The financial statement assertions include:

- Existence or occurrence;
- Completeness;
- Accuracy;
- Valuation or allocation;
- Rights and obligations;
- Classification;
- Understandability; and
- Cut-off.

The auditor's work may be based on assertions that differ from those in this Section if the auditor has selected and tested controls over the pertinent risks in each significant account and disclosure that have a reasonable possibility of

containing misstatements that may cause the financial statements to be materially misstated. [CAS 315](#) 10 provides additional information on financial statement assertions.

- A25. Risk factors relevant to the identification of significant accounts and disclosures and their relevant assertions include:
- Size and composition of the account.
 - Susceptibility of misstatement due to errors or fraud.
 - Volume of activity, complexity, and homogeneity of the individual transactions processed through the account, or reflected in the disclosure.
 - Nature of the account or disclosure.
 - Accounting and reporting complexities associated with the account or disclosure.
 - Exposure to losses in the account.
 - Possibility of significant contingent liabilities arising from the activities reflected in the account or disclosure.
 - Existence of related party transactions in the account.
 - Changes from the prior period in account characteristics.
- A26. The auditor may determine the likely sources of potential misstatements by asking "what could go wrong?" within a given significant account or disclosure.
- A27. The auditor's identification of significant accounts and disclosures and relevant assertions are typically the same in the audit of internal control over financial reporting as in the audit of the financial statements, because the risk factors are the same for both audits. However, the auditor may choose to perform substantive auditing procedures on financial statement accounts, disclosures and assertions that are not determined to be significant accounts and disclosures and relevant assertions. The auditor may make this decision because the auditor's assessment of the risk that undetected misstatements would cause the financial statements to be materially misstated is unacceptably high, as discussed in [CAS 450](#) 11 or as a means of introducing unpredictability in the procedures performed.
- A28. The components of a potential significant account or disclosure might be subject to significantly differing risks. If so, different controls might be necessary to adequately address those risks.

Understanding Likely Sources of Misstatement (Ref: Para. 35)

- A29. The procedures that achieve the objectives in paragraph [35](#) may be performed by the auditor, or the auditor supervises the work of others who provide direct assistance to the auditor.
- A30. An understanding of how information technology affects the entity's flow of transactions may assist the auditor in determining the effect of information technology over financial reporting and the risk to assess. [CAS 315](#) discusses the effect of information technology on internal control over financial reporting and the associated risks relevant to the auditor's assessment of the risk of material misstatement of the financial statements. This guidance is relevant to auditing internal control over financial reporting.

Performing Walkthroughs

- A31. Performing walkthroughs may be the most effective way of achieving the objectives in paragraph [35](#). In performing a walkthrough, the auditor follows a transaction from origination through the entity's processes, including information systems, until it is reflected in the entity's financial records, using the same documents and information technology that the entity personnel use. Walkthrough procedures may include a combination of inquiry, observation, inspection of relevant documentation, and reperformance of controls.
- A32. At the points at which important processing procedures occur, the auditor may question the entity's personnel about their understanding of what is required by the entity's prescribed procedures and controls. These probing questions, combined with the other walkthrough procedures may assist the auditor to:
- (a) Gain a sufficient understanding of the process; and
 - (b) Be able to identify important points at which a necessary control is missing or not designed effectively.

Additionally, probing questions that go beyond a narrow focus on the single transaction used as the basis for the walkthrough may assist the auditor to gain an understanding of the different types of significant transactions handled by the process.

Multiple Locations and Components (Ref: Para. 36-37)

- A33. The auditor may eliminate from further consideration locations or components that, individually or when aggregated with others, do not present a reasonable possibility of material misstatement of the entity's consolidated financial statements.
- A34. In lower-risk locations, the auditor first may evaluate whether testing entity-level controls, including controls in place to provide assurance that appropriate controls exist throughout the organization, provides the auditor with sufficient appropriate audit evidence.
- A35. In determining the locations or components at which to perform tests of controls, the auditor may take into account work performed by others on behalf of management. For example, if the internal auditors' plan includes relevant audit work at various locations, the auditor may coordinate work with the internal auditors and reduce the number of locations or components at which the auditor would otherwise need to perform auditing procedures.

Special Situations (Ref: Para. 39)

A36. The auditor may refer to criteria in Canadian legislation or regulation for assistance in evaluating the reasonableness of management's conclusion to exclude entities from its assessment of internal control over financial reporting.

Selecting Controls to Test (Ref: Para. 40)

- A37. There may be more than one control that addresses the assessed risk of misstatement to a particular relevant assertion; conversely, one control might address the assessed risk of misstatement to more than one relevant assertion. It is neither necessary to test all controls related to a relevant assertion nor necessary to test redundant controls, unless redundancy is itself a control objective. It is also not necessary to test controls that, even if deficient, may not present a reasonable possibility of material misstatements.
- A38. The decision as to whether a control is selected for testing depends on which controls, individually or in combination, sufficiently address the assessed risk of misstatement to a given relevant assertion rather than on how the control is labeled (for example, entity-level control, transaction-level control, control activity, monitoring control, preventive control, detective control).

Testing Controls

Testing Design and Operating Effectiveness (Ref: Para. 41-42)

A39. Procedures that the auditor may perform to test the design or operating effectiveness of controls include:

- (a) Inquiry of appropriate personnel;
- (b) Observation of the entity's operations;
- (c) Inspection of relevant documentation; or
- (d) Reperformance.

The procedures performed by the auditor in conducting walkthroughs that include these procedures, may provide sufficient appropriate audit evidence to evaluate the design or operating effectiveness depending on the risk associated with the controls being tested, the specific procedures performed as part of the walkthrough and the results of those procedures.

A40. The more extensively a control is tested, the more persuasive the evidence obtained from that test.

Considerations Specific to Smaller Entities

- A41. A smaller, less complex entity might achieve its control objectives in a different manner from a larger, more complex organization. For example, a smaller, less complex entity might have fewer employees in the accounting function, limiting opportunities to segregate duties and leading the entity to implement alternative controls to achieve its control objectives. In such circumstances, the auditor may evaluate whether those alternative controls are effective.
- A42. In some situations, particularly in smaller entities, an entity might use a third party to provide assistance with certain financial reporting functions. When assessing the competence of personnel responsible for an entity's financial reporting and associated controls, the auditor may take into account the combined competence of entity personnel and other parties that assist with functions related to financial reporting.

Testing of Relevant Assertions (Ref: Para. 43)

A43. To obtain sufficient appropriate audit evidence about the effectiveness of selected controls over all relevant assertions, the auditor may be required to test the design and operating effectiveness of controls that the auditor may not test, if expressing an opinion only on the financial statements.

Relationship of Risk to the Evidence to be Obtained (Ref: Para. 44)

- A44. Although the auditor is required in paragraph 44, to obtain evidence about the effectiveness of controls for each relevant assertion, the auditor is not responsible for obtaining sufficient evidence to support an opinion about the effectiveness of each individual control. Rather, the auditor's objective is to express an opinion on the entity's internal control over financial reporting overall.
- A45. The auditor may vary the amount of evidence obtained regarding the effectiveness of individual controls selected for testing based on the risk associated with the individual control. A conclusion that a control is not operating effectively may be supported by less evidence than is necessary to support a conclusion that a control is operating effectively.
- A46. Factors that affect the risk associated with a control include:
- The nature and materiality of misstatements that the control is intended to prevent or detect.
 - The inherent risk associated with the related account(s) and assertion(s).
 - Whether there have been changes in the volume or nature of transactions that might adversely affect control design or operating effectiveness.
 - Whether the account has a history of errors.
 - The effectiveness of entity-level controls, especially controls that monitor other controls.
 - The nature of the control and the frequency with which it operates.
 - The degree to which the control relies on the effectiveness of other controls (for example, the control environment or information technology general controls).

- The competence of the personnel who perform the control or monitor its performance and whether there have been changes in key personnel who perform the control or monitor its performance.
- Whether the control relies on performance by an individual or is automated (i.e., an automated control would generally be expected to be lower risk if relevant information technology general controls are effective).
- The complexity of the control and the significance of the judgments made in connection with its operation.

Considerations Specific to Smaller Entities

A47. A less complex entity or business unit with simple business processes and centralized accounting operations might have relatively simple information systems that make greater use of off-the-shelf packaged software without modification. In the areas in which off-the-shelf software is used, the auditor's testing of information technology controls might focus on the application controls built into the prepackaged software that management relies on to achieve its control objectives and the information technology general controls that are important to the effective operation of those application controls.

Timing of Tests of Controls (Ref: Para. 45-46)

A48. Testing controls over a greater period of time provides more persuasive evidence of the effectiveness of controls than testing over a shorter period of time. Further, testing performed closer to the date of management's assessment may provide the auditor with more persuasive evidence than testing performed earlier in the year.

Direct Testing of Controls (Ref: Para. 47)

A49. It is inappropriate to infer that a control is effective based on the absence of misstatements detected by substantive procedures performed as part of the financial statement audit. However, the auditor may take into account the absence of misstatements detected by substantive procedures performed as part of the financial statement audit when determining the risk associated with a control to be tested and the testing that is necessary to conclude on the effectiveness of the control.

Testing of Automated Controls (Ref: Para. 48-49)

A50. Entirely automated application controls are generally not subject to breakdowns due to human failure. This feature allows the auditor to use a "benchmarking" strategy. Benchmarking automated application controls can be especially effective for entities using purchased software when the possibility of program changes is remote (for example, when the vendor does not allow access or modification to the source code).

A51. If general controls over program changes, access to programs, and computer operations are effective and continue to be tested, and the auditor verifies that the automated application control has not changed since the auditor established a baseline (i.e., last tested the application control), the auditor may conclude that the automated application control continues to be effective without repeating the prior year's specific tests of the operation of the automated application control. This approach is known as "benchmarking". The nature and extent of the evidence required to verify that the control has not changed may vary depending on the circumstances, including depending on the strength of the entity's program change controls.

A52. The consistent and effective functioning of the automated application controls may be dependent upon the related files, tables, data, and parameters. For example, an automated application for calculating interest income might be dependent on the continued integrity of a rate table used by the automated calculation.

A53. The following factors may assist the auditor to determine whether to use a benchmarking strategy:

- The extent to which the application control can be matched to a defined program within an application.
- The extent to which the application is stable (i.e., there are few changes from period to period).
- The availability and reliability of a report of the compilation dates of the programs placed in production. (This information may be used as evidence that controls within the program have not changed.)

A54. The following factors may assist the auditor in evaluating when to re-establish a baseline:

- The effectiveness of the information technology control environment, including controls over application and system software acquisition and maintenance, access controls and computer operations.
- The auditor's understanding of the nature of changes, if any, on the specific programs that contain the controls.
- The nature and timing of other related tests.
- The consequences of errors associated with the application control that was benchmarked.
- Whether the control is sensitive to other business factors that may have changed.

A55. A change in business factors may affect a control. For example, an automated control may have been designed with the assumption that only positive amounts will exist in a file. Such a control would no longer be effective if negative amounts (credits) begin to be posted to the account.

Additional Evidence Following Interim Testing (Ref: Para. 50)

A56. Factors relevant to determining if additional evidence is necessary to update the results of testing from an interim date to the entity's year-end include:

- The specific control tested prior to the as-at date, including the risks associated with the control and the nature of the control, and the results of those tests.
- The sufficiency of the evidence of effectiveness obtained at an interim date.
- The length of the remaining period.
- The possibility that there have been any significant changes in internal control over financial reporting subsequent to the interim date.

In some circumstances, such as when evaluation of the foregoing factors indicates a low risk that the controls are no longer effective during the roll-forward period, inquiry alone may be sufficient as a roll-forward procedure.

Use of Service Organizations (Ref: Para. 52-61)

- A57. [CAS 402](#) 12 applies to the audit of financial statements of an entity that obtains services from another organization that are part of its information system. The auditor may apply the relevant concepts described in CAS 402 to the audit of internal control over financial reporting.
- A58. [CAS 402](#) describes the situation in which a service organization's services are part of an entity's information system. If the service organization's services are part of an entity's information system, as described therein, then they are part of the information and communication component of the entity's internal control over financial reporting.
- A59. [CAS 402](#) includes requirements and application or other explanatory material regarding audit procedures relevant to activities performed by a service organization that are part of the entity's information. The procedures include:
- (a) Obtaining an understanding of the controls at the service organization that are relevant to the entity's internal controls over financial reporting and the controls at the entity over the activities of the service organization; and
 - (b) Obtaining evidence that the controls that are relevant to the auditor's opinion are operating effectively.
- A60. Evidence that the controls that are relevant to the auditor's opinion are operating effectively may be obtained by following the procedures described in [CAS 402](#). These procedures include:
- (a) Tests of the entity's controls over the activities of the service organization (for example, the auditor may test the entity's independent reperformance of selected items processed by the service organization or test the entity's reconciliation of output reports with source documents);
 - (b) A service auditor's report on controls placed in operation and tests of the operating effectiveness, or a report on the application of specified procedures that describes relevant tests of controls; or
 - (c) Appropriate tests of the operating effectiveness of controls performed by the auditor at the service organization.
- A61. The service auditor's report referred to in paragraph [A60\(b\)](#) means a report with the service auditor's opinion on the service organization's description of the design of its controls, the tests of controls, and results of those tests performed by the service auditor, and the service auditor's opinion on whether the controls tested were operating effectively during the specified period (in other words, "type 2 report" defined in [CAS 402](#)). A service auditor's report that does not include tests of controls, results of the tests, and the service auditor's opinion on operating effectiveness (in other words, "type 1 report" described in CAS 402) does not provide evidence of operating effectiveness.
- A62. Examples of changes in controls include:
- Changes communicated to management from the service organization.
 - Changes in personnel at the service organization with whom management interacts.
 - Changes in reports or other data received from the service organization.
 - Changes in contracts or service level agreements with the service organization.
 - Errors identified in the service organization's processing.
- A63. When the auditor concludes that additional evidence about the operating effectiveness of controls at the service organization is required, the auditor's additional procedures may include:
- (a) Evaluating procedures performed by management and the results of those procedures;
 - (b) Contacting the service organization, through the entity, to obtain specific information;
 - (c) Requesting that a service auditor be engaged to perform procedures that will supply the necessary information; and
 - (d) Visiting the service organization and performing such procedures.

Considerations for Subsequent Years' Audits (Ref: Para. 62-63)

- A64. Factors that affect the risk assessment associated with a control in subsequent years' audits include the following:
- The nature, timing, and extent of procedures performed in previous audits.
 - The results of the previous years' testing of the control.
 - Whether there have been changes in the control, or the process in which it operates, since the previous audit.
- A65. After taking into account the risk factors identified in paragraphs [A46](#) and [A64](#), the additional information available in subsequent years' audits might permit the auditor to assess the risk as lower than in the initial year. This, in turn, might permit the auditor to reduce testing in subsequent years.

- A66. The auditor may also use a benchmarking strategy for automated application controls in subsequent years' audits. Benchmarking is described further in paragraphs A50-A55.
- A67. Each year, the auditor may test controls at a different interim period, increase or reduce the number and types of tests performed, vary the nature, timing and extent of testing of controls at locations or components, or change the combination of procedures used.

Effect of Deviations (Ref: Para. 64)

- A68. Effective internal control over financial reporting cannot, and does not, provide absolute assurance of achieving the entity's control objectives, any individual control does not necessarily have to operate without any deviation to be considered effective.

Sufficiency and Appropriateness of Evidence Obtained (Ref: Para. 65)

- A69. The sufficiency and appropriateness of the evidence provided by the auditor's tests of the effectiveness of controls depends upon the mix of the nature, timing, and extent of the auditor's procedures. Further, for any individual control, different combinations of the nature, timing, and extent of testing may provide sufficient appropriate audit evidence in relation to the risk associated with the control.
- A70. Some types of tests, by their nature, produce more persuasive evidence of the effectiveness of controls than other tests. The following tests that the auditor might perform are presented in order of the persuasiveness of the evidence, from least to most:
- (a) Inquiry;
 - (b) Observation; and
 - (c) Inspection of relevant documentation, and reperformance of a control.
- Inquiry alone does not provide sufficient appropriate audit evidence to support a conclusion about the effectiveness of a control.
- A71. The nature of the tests of effectiveness that provides sufficient appropriate audit evidence depends, to a large degree, on the nature of the control to be tested, including whether the operation of the control results in documentary evidence of its operation. Documentary evidence of the operation of some controls, such as management's philosophy and operating style, might not exist.

Considerations Specific to Smaller Entities

- A72. A smaller, less complex entity or unit might have less formal documentation regarding the operation of its controls. In those situations, testing controls through inquiry combined with other procedures, such as observation of activities, inspection of less formal documentation, or reperformance of certain controls, might provide sufficient appropriate audit evidence about whether the control is effective.

Evaluating Identified Deficiencies (Ref: Para. 66-67)

- A73. The auditor is not required to plan and perform the audit to search for deficiencies that, individually or in combination, are less severe than a material weakness.
- A74. The severity of a deficiency in internal control over financial reporting does not depend on whether a misstatement actually has occurred but rather on whether there is a reasonable possibility that the entity's controls will fail to prevent or detect a misstatement.
- A75. Risk factors affect whether there is a reasonable possibility that a deficiency, or a combination of deficiencies, will result in a misstatement of an account balance or disclosure. These factors include, but are not limited to, the following:
- The nature of the financial statement accounts, disclosures, and assertions involved.
 - The susceptibility of the related asset or liability to loss or fraud.
 - The subjectivity, complexity, or extent of judgment required to determine the amount involved.
 - The interaction or relationship of the control with other controls, including whether they are interdependent or redundant.
 - The interaction of the deficiencies.
 - The possible future consequences of the deficiency.

The evaluation of whether a control deficiency presents a reasonable possibility of misstatement can be made without quantifying the probability of occurrence as a specific percentage or range.

- A76. Multiple control deficiencies that affect the same financial statement account balance or disclosure increase the likelihood of misstatement and may, in combination, constitute a material weakness, even though such deficiencies may individually be less severe. The auditor's consideration of how the individual control deficiencies affects the same significant account, disclosure, relevant assertion or component may assist the auditor to determine whether collectively, these deficiencies result in a material weakness.
- A77. Factors that affect the magnitude of the misstatement that might result from a deficiency or deficiencies in controls include, but are not limited to, the following:
- The financial statement amounts or total of transactions exposed to the deficiency.

- The volume of activity in the account balance or class of transactions exposed to the deficiency that has occurred in the current period or that is expected in future periods.

In evaluating the magnitude of the potential misstatement, the maximum amount that an account balance or total of transactions can be overstated is generally the recorded amount, while understatements could be larger. Also, in many cases, the probability of a small misstatement will be greater than the probability of a large misstatement.

A78. Indicators of material weaknesses in internal control over financial reporting include:

- Identification of fraud, whether or not material, on the part of senior management.
- Restatement of previously issued financial statements to reflect the correction of a material misstatement.
- Identification by the auditor of a material misstatement of financial statements in the current period in circumstances that indicate that the misstatement would not have been detected by the entity's internal control over financial reporting.
- Ineffective oversight of the entity's external financial reporting and internal control over financial reporting by the entity's audit committee or equivalent.
- A deficiency, or combination of deficiencies that might prevent prudent officials in the conduct of their own affairs from concluding that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with the applicable financial reporting framework.

Forming an Opinion (Ref: Para. 68)

A79. To assist in this evaluation, the auditor may review reports issued during the year by internal audit (or similar functions) that address controls related to internal control over financial reporting and evaluate control deficiencies identified in those reports.

Obtaining Written Representations (Ref: Para. 74-75)

A80. [CAS 580](#) 13 explains matters such as who signs the letter, the period to be covered by the letter, and when to obtain an updated letter.

Reporting on Internal Control Over Financial Reporting (Ref: Para. 14, 83-84)

A81. The auditor may choose to issue a combined report (i.e., one report containing both an opinion on the financial statements and an opinion on internal control over financial reporting) or separate reports on the entity's financial statements and on internal control over financial reporting.

A82. The following example report expressing an unqualified opinion on internal control over financial reporting illustrates the report elements described in this Section.

INDEPENDENT AUDITOR'S REPORT

TO [to whom the report is directed]

(Introductory paragraph)

We have audited the effectiveness of [name of entity]'s internal control over financial reporting as at December 31, 20X0.

Management's Responsibility

The entity's management is responsible for maintaining effective internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit, on whether the entity's internal control over financial reporting was effectively maintained in accordance with [identify control criteria, for example, "criteria established in "Guidance on Control" (CoCo Framework) published by the Chartered Professional Accountants of Canada or "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."].

(Scope paragraph)

We conducted our audit in accordance with the standard for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Definition paragraph)

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. An entity's internal control over financial reporting includes

those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

(Inherent limitations paragraph)

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the entity maintained, in all material respects, effective internal control over financial reporting as at December 31, 20X0, in accordance with [identify control criteria, for example, "criteria established in "Guidance on Control" (CoCo Framework) published by the Chartered Professional Accountants of Canada or "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."].

We have also audited, in accordance with Canadian generally accepted auditing standards, the [identify financial statements] of and issued our report dated [date of report, is the same as the date of the report on the effectiveness of internal control over financial reporting].

Auditor's Address (signed).....

Date PRACTITIONER

- A83. When the entity is a Canadian reporting issuer, management's certifications regarding internal control contained in regulatory filings and the documentation that supports those filings may differ from the written assessment that management provides as described in this Section. To reduce the risk that users of the auditor's report under this Section could be misled by such differences, the auditor may add an "Other Matters" paragraph, as the last paragraph in the auditor's report that highlights any difference. For example, when the criteria used for the regulatory filings to determine the classification of any deficiency are different from those described in this Section, these differences may be set out in the "Other Matters" paragraph.
- A84. When, under the terms of the auditor's engagement, it is understood that management will restrict the distribution of its assessment of internal control over financial reporting to only certain recipients, the auditor may restrict the distribution of the auditor's report on internal control over financial reporting to those same recipients.

Dating of the Auditor's Reports (Ref: Para. 85)

- A85. In an integrated audit, in accordance with this Section, the auditor cannot audit internal control over financial reporting without also auditing the financial statements, therefore, the auditor's reports on the financial statements and internal control over financial reporting are dated the same.

Disclaimer of Opinion (Ref: Para. 89-91)

- A86. The auditor may issue a report disclaiming an opinion on internal control over financial reporting as soon as the auditor concludes that a scope limitation will prevent the auditor from obtaining the reasonable assurance necessary to express an opinion. The auditor is not required to perform any additional work prior to issuing a disclaimer when the auditor concludes that he or she will not be able to obtain sufficient appropriate audit evidence to express an opinion. In this case, in following the direction in paragraph 86 regarding dating the auditor's report, the report date is the date that the auditor has obtained sufficient appropriate audit evidence to support the representations in the auditor's report.

Subsequent Events (Ref: Para. 94-98)

- A87. The auditor may obtain information about changes and other relevant factors that may affect the effectiveness of the entity's internal control over financial reporting, and therefore the auditor's report, by inquiring about and examining for this subsequent period, the following:
- Relevant internal audit (or similar functions, such as loan review in a financial institution) reports issued during the subsequent period.
 - Independent auditor reports (if other than the auditor's) of deficiencies in internal control over financial reporting.
 - Regulatory agency reports on the entity's internal control over financial reporting.
 - Information about the effectiveness of the entity's internal control over financial reporting obtained through other engagements.

The auditor may inquire about and examine other documents for the subsequent period. [CAS 560](#) provides direction on subsequent events for a financial statement audit that also may be helpful to the auditor performing an audit of internal control over financial reporting.

Documentation (Ref: Para. 10)

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