

CICA Handbook – Assurance

highlight summary no. 6

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(Note: New Handbook material or changes in existing material are identified in the Record of Changes.)

CAS 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

This Canadian Auditing Standard (CAS) revises and replaces existing CAS 315 to incorporate changes resulting from the issuance of revisions to [CAS 610](#). Revised CAS 315:

- requires the external auditor to make inquiries of the appropriate individuals within the internal audit function (if the function exists) about information of which they are aware that is relevant to identifying and assessing the risks of material misstatement due to fraud or error, and provides application and explanatory material on matters to consider in making these inquiries;
- recognizes that management's response to deficiencies in internal control identified by the internal audit function may provide evidence to the external auditor regarding the entity's control environment;
- provides more detailed application and explanatory material regarding specific matters that the auditor may cover in obtaining an understanding of the nature of the internal audit function's responsibilities, and its organizational status and the procedures performed or to be performed; and
- provides more specific guidance as to when to apply [CAS 610](#).

Revised [CAS 315](#) is effective for audits of financial statements for periods ending on or after December 15, 2013.

CAS 610, Using the Work of Internal Auditors

This CAS revises and replaces existing CAS 610. It establishes a strengthened judgment-based framework for use by the external auditor in deciding whether and, if so, to what extent, to use the work of the internal audit function. Revised CAS 610:

- provides more detailed and clearer requirements for the external auditor to meet in deciding when it is appropriate to use the work of the internal audit function, what the nature and extent of the use of that work should be in the circumstances of the engagement, and the external auditor's assessment of that work; and
- requires the external auditor to communicate with those charged with governance regarding the planned use of the work of the internal audit function.

Revised [CAS 610](#) is effective for audits of financial statements for periods ending on or after December 15, 2013.

Changes to Other Canadian Auditing Standards

As a result of issuing revised [CAS 610](#), the following CASs have been amended to clarify terminology regarding "using the work of the internal audit function" versus "using the work of internal auditors":

- CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph [A18](#) and [Appendix 1](#);
- CAS 260, *Communication with Those Charged with Governance*, paragraphs [A14](#) and [A43](#);
- CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, paragraph [A24](#);
- CAS 300, *Planning an Audit of Financial Statements*, [Appendix](#);
- CAS 402, *Audit Considerations Relating to an Entity Using a Service Organization*, paragraph [A1](#);
- CAS 500, *Audit Evidence*, paragraph [A51](#);
- CAS 550, *Related Parties*, paragraphs [A15](#), [A17](#) and [A22](#); and
- CAS 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraphs [A27](#) and [A51](#) and [Appendices 2](#) and 5.

As well, the following CASs have been amended to clarify that inquiries are made of "appropriate individual within the function":

- CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 19; and
- CAS 260, *Communication with Those Charged with Governance*, paragraph [A33](#).

AuG-19, Audit of Financial Statements Affected by Environmental Matters

AuG-32, Electronic Commerce — Effect on the Audit of Financial Statements

AuG-39, Auditing Derivative Financial Instruments

These Guidelines have been withdrawn because the International Auditing Practice Statements on which they were based were withdrawn by the International Auditing and Assurance Standards Board.

Recently Replaced Pronouncements Still in Effect

To give Handbook users continued access to former CAS 315 and CAS 610 (i.e., for engagements before the effective date), these standards have been refiled under "Recently Replaced Pronouncements Still in Effect." (Former CAS 315 and CAS 610 will be withdrawn after sufficient time has elapsed to allow practitioners to complete their engagements.)

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