

## CANADIAN AUDITING STANDARDS

### CAS 265

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

---

#### SUPPLEMENT

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

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

## Footnotes

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

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

