

CICA handbook – assurance revisions release no. 11 March 2002

ASSURANCE RECOMMENDATIONS

Using the work of internal audit, Section 5050

As a result of revised Section 5090, references to "the audit committee" have been amended to read "the audit committee or equivalent" in paragraphs 5050.10(a) and .15.

Replaced existing footnote 2 with cross-reference to terms described in paragraph 5090.03.

Audit of financial statements — an introduction, Section 5090 [DEC. 2002 *]

Revises and replaces existing Section to incorporate revised "Objective and General Principles Governing an Audit of Financial Statements," ISA 200, resulting from the issue of "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements," ISA 240. Although the sequence of the text has been changed, all the text in this revised Section, except paragraph 5090.03, is derived either from existing Section 5090 or from the amendments to ISA 200. Paragraph 5090.03 describes certain new and revised terminology usage.

* The Recommendations are effective with respect to audits of financial statements and other financial information relating to periods ending on or after December 15, 2002.

As a result of revised Section 5090, references to "the audit committee" have been amended to read "the audit committee or equivalent" in the following Recommendation paragraphs:

7200.93(e)

7500.18

7500.20

In addition, the following Sections have been amended to reflect terminology in paragraph 5090.03:

5025 Appendix A, Derivative reporting

5140 Appendix, Characteristics of ownership and management, Board of directors or equivalent

5200.11(b)

5220.06

5200 to 5220, Appendix A, Control environment, (b)

5365A paragraph 4(e)

7050.10

7500.19

PS 6420.24

International standards on auditing, Section 5101

Updated to reflect the incorporation into the Handbook of "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements," ISA 240, as a revised Section 5135, and revisions to "Objective and General Principles Governing an Audit of Financial Statements," ISA 200, as an amendment to Section 5090.

In the Appendix, added reference to Section 5135 with respect to "Management Representations," ISA 580.

Sections 5130, 5135 and 5136

Added explanation that Sections 5130, 5135 and 5136 are interrelated.

Materiality and audit risk in conducting an audit, Section 5130

Added footnote to paragraph 5130.02 to provide cross-reference to Sections 5135 and 5136.

Amended paragraph 5130.05 to be consistent with the usage of the term "misstatement" in Sections 5135 and 5136.

Added footnote to paragraph 5130.16 to cross-reference to Sections 5135 and 5136 concerning inherent risk factors.

Amended paragraph 5130.31 and related footnote to replace the term "client" with "management and the audit committee or equivalent", consistent with revised Section 5135.

The auditor's responsibility to consider fraud and error in an audit of financial statements, Section 5135 [DEC. 2002 *]

Revises and replaces AUDITOR'S RESPONSIBILITY TO DETECT AND COMMUNICATE MISSTATEMENTS, Section 5135, with a new Section derived from International Standard on Auditing (ISA) 240.

* The Recommendations are effective with respect to audits of financial statements and other financial information relating to periods ending on or after December 15, 2002.

The following Recommendations formerly appeared in Section 5135:

- .06 ♦ *An audit of financial statements should be performed with an attitude of professional scepticism. [SEPT. 1991]*
- .14 ♦ *The auditor may encounter circumstances which make him or her suspect the financial statements are materially misstated. In that event, the auditor should perform procedures to confirm or dispel that suspicion. [SEPT. 1991]*
- .20 ♦ *When the auditor has obtained evidence which confirms a misstatement, other than a trivial error, the auditor should inform the appropriate level of management. [SEPT. 1991]*
- .22 ♦ *When the auditor has obtained evidence which confirms a significant misstatement, whether or not adjusted, the auditor should ensure the audit committee is informed. [SEPT. 1991]*

Misstatements — illegal acts, Section 5136

Amended paragraph 5136.01 to be consistent with the scope of revised Section 5135.

Amended paragraphs 5136.08, .26, .27 and .30 to adopt terminology in revised Section 5090 and replaced existing footnote 3 with a cross-reference to paragraph 5090.03.

Amended paragraph 5136.23 to refer to example circumstances in revised Section 5135, Appendix C that may make the auditor suspect the financial statements are materially misstated as a result of the consequences of an illegal act.

Amended Recommendation paragraph 5136.28 to adopt terminology in revised Section 5090. Former wording of this paragraph was as follows:

- ♦ *When the auditor has obtained evidence which indicates an illegal or possibly illegal act, other than one considered inconsequential, may have occurred, the auditor should ensure the audit committee and other appropriate levels of management are informed. [JAN. 1995]*

Communication of matters identified during the financial statement audit, Section 5750

Amended paragraphs 5750.01, .03, .05, .06, .08, .10, .13, .18, .21 and .22 to reflect the changed description of "management" and use of the term "audit committee or equivalent" in paragraph 5090.03.

Added footnote to paragraph 5750.01 to provide cross-reference to terms described in paragraph 5090.03.

Added footnote to paragraph 5750.05 to indicate that when discussing communications, instead of making specific reference to management or the audit committee, the term "addressee" has been used, for simplicity.

Amended Recommendation paragraphs 5750.07 and .16 to reflect changed terminology. Former wording of these paragraphs was as follows:

- .07 ♦ *When communicating matters that have been identified during the financial statement audit, the auditor should indicate that the communication is a by-product of the financial statement audit, and therefore is a derivative communication, and that the audit would not usually identify all matters that may be of interest to management in discharging its responsibilities. The communication should also indicate that it is prepared solely for the information of management and is not intended for any other purpose. [JULY 1997]*

- .16 ♦ *The auditor should consider whether matters communicated as a result of the previous financial statement audit should be recommunicated and, when appropriate, communicated to a higher level of management. [JULY 1997]*

Amended paragraph 5750.15 to deal with reporting to the audit committee when previous communications to management have not been satisfactorily addressed.

Amended paragraph 5750.17 to reflect terminology in paragraph 5090.03 and delete last sentence.

Amended paragraph 5750.19 to eliminate the list of matters that may be communicated in the example communication and added footnote to provide a cross-reference to guidance provided in paragraph 5750.01.

Audit of related party transactions, Section 6010

Replaced existing footnote 4 with cross-reference to terms described in paragraph 5090.03.

Amended paragraph 6010.30 to delete cross-reference to Sections 5136 and 5750.

Introduction to assurance recommendations that apply only to the public sector, paragraph PS 5000.02

Amended to add Assistant Deputy Ministers as examples of management in the public sector, consistent with revised Section 5090.

ASSURANCE AND RELATED SERVICES GUIDELINES

Communications with audit committees (or equivalent), AuG-11

AuG-11 has not been revised to conform with changes to Section 5135. A note has been added to this Guideline to explain that such amendments have not been made because of further revisions to the Handbook in the near future.

Special reports on regulated financial institutions, AuG-13

Paragraphs 9, 10, 25, 41 and 45 amended to adopt terminology in revised Section 5090.

Transactions or conditions reportable under the well-being reporting requirement, AuG-17

Paragraph 10 amended to refer readers to revised Section 5090 concerning the meaning of the concept of management's good faith.

Audit of financial statements affected by environmental matters, AuG-19

Paragraphs 13(b) and 20 amended to adopt terminology in revised Section 5090.

Paragraph 21 amended to reflect the changed wording in revised Section 5135 concerning circumstances that indicate that the financial statements may contain a material misstatement resulting from fraud or error.

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