

## CANADIAN AUDITING STANDARDS

### CAS 210

### agreeing the terms of audit engagements

#### SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of approving [CAS 570, Going Concern](#).

- A24. The form and content of the audit engagement letter may vary for each entity. Information included in the audit engagement letter on the auditor's responsibilities may be based on [CAS 200, 17 Paragraphs 6\(b\) and 12 of this CAS deal with the description of the responsibilities of management. In addition to including the matters required by paragraph 10, an audit engagement letter may make reference to, for example:](#)
- Elaboration of the scope of the audit, including reference to applicable legislation, regulations, CASs, and ethical and other pronouncements of professional bodies to which the auditor adheres.
  - The form of any other communication of results of the audit engagement.
  - The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with [CAS 701, 18](#)
  - The fact that because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with CASs.
  - Arrangements regarding the planning and performance of the audit, including the composition of the engagement team.
  - The expectation that management will provide written representations (see also paragraph A13).
  - The expectation that management will provide access to all information of which management is aware that is relevant to the preparation of the financial statements, including an expectation that management will provide access to information relevant to disclosures.
  - The agreement of management to make available to the auditor draft financial statements, including all information relevant to their preparation, whether obtained from within or outside of the general and subsidiary ledgers (including all information relevant to the preparation of disclosures), and the other information, if any, in time to allow the auditor to complete the audit in accordance with the proposed timetable.
  - The agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.
  - The basis on which fees are computed and any billing arrangements.
  - A request for management to acknowledge receipt of the audit engagement letter and to agree to the terms of the engagement outlined therein.

#### Appendix 1

(Ref: Para. [A24-A26](#))

#### Example of an Audit Engagement Letter

[*The responsibilities of the auditor*]

We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 3 However, we will communicate to you in writing concerning any significant

- deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

*[The responsibilities of management and identification of the applicable financial reporting framework (for purposes of this example it is assumed that the auditor has not determined that the law or regulation prescribes those responsibilities in appropriate terms; the descriptions in paragraph 6(b) are therefore used).]*

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] 4 acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards; 5
- For such internal control as [management] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- To provide us with:
  - Access to all information of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that we may request from [management] for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

#### SUPPLEMENT

This supplement sets out the previous wording of paragraphs that have been amended as a consequence of revisions to IAS 1 *Presentation of Financial Statements*, which were published in Part 1 of the CPA Canada Handbook – Accounting in June 2021. The revisions require entities to disclose material accounting policy information rather than significant accounting policies.

#### Appendix 1

(Ref: Para. A24-A26)

#### Example of an Audit Engagement Letter

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To the appropriate representative of management or those charged with governance of ABC Company: 1

*[The objective and scope of the audit]*

You 2 have requested that we audit the financial statements of ABC Company, which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

## Footnotes

17. CAS 200, paragraphs 3-9

18. CAS 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

3. This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

4. Use terminology as appropriate in the circumstances.
  5. Or, if appropriate, "For the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards."
  6. See paragraph A24 for examples of other matters relating to management's responsibilities that may be included.
    1. The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons – see paragraph A22.
    2. Throughout this letter, references to "you," "we," "us," "management," "those charged with governance" and "auditor" would be used or amended as appropriate in the circumstances.
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