

# Implementation Tool for Auditors

## CANADIAN AUDITING STANDARD (CAS)

JUNE 2016

### STANDARD DISCUSSED

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

## Identifying, Assessing and Responding to the Risk of Material Misstatement Due to Fraud in Revenue Recognition

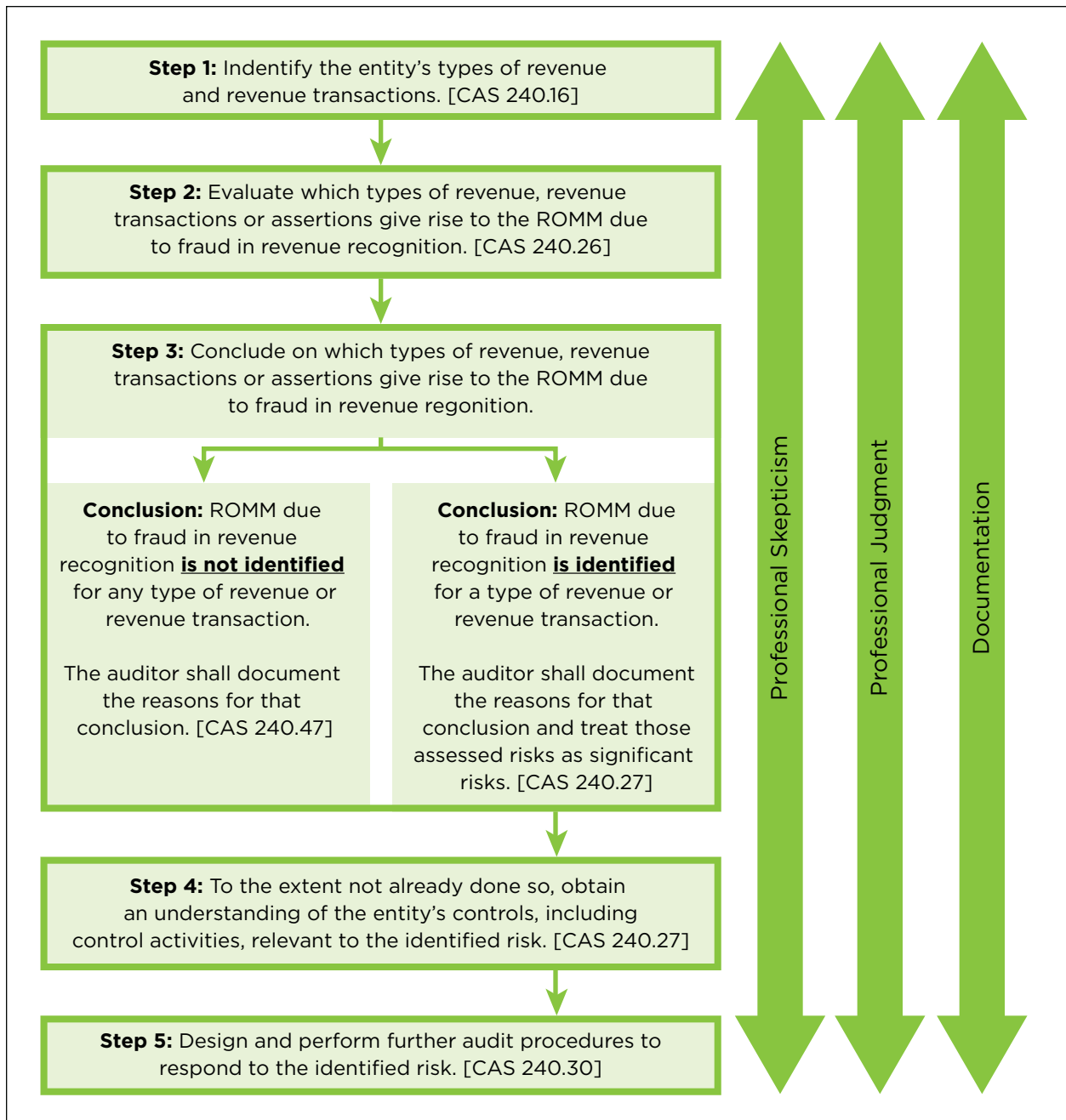
This publication is an **Implementation Tool for Auditors (Tool)** designed to provide non-authoritative guidance to help you identify, assess and respond to the presumed risk of material misstatement (ROMM) due to fraud in revenue recognition. This Tool does not address all the requirements in Canadian Auditing Standard (CAS) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.

Material misstatements due to fraudulent financial reporting often result from an overstatement of revenue. They may result also from an understatement of revenue. Therefore, when identifying and assessing the ROMM due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. Furthermore, the auditor shall design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level. **If an appropriate response to the assessed risks is not designed and implemented, the auditor may not have sufficient appropriate audit evidence to conclude whether the financial statements are materially misstated.**

**Diagram 1** illustrates an approach to identifying, assessing and responding to the ROMM due to fraud in revenue recognition based on the requirements included in paragraphs 16, 25-27 and 30 of CAS 240. You will need to adapt your approach to the specific circumstances of your audit engagement.

This Tool will not discuss the requirement for the auditor to determine an overall response to address the assessed ROMM due to fraud at the financial statement level, as required by paragraphs 28-29. This Tool also does not address other aspects of auditing revenue. See [Appendix 1](#) for a diagram that summarizes all the requirements in CAS 240.

*Diagram 1*



This Tool will examine each step in further detail and provide examples as well as practical considerations for complying with the requirements; however, there may be other ways to comply with the requirements in your situation that are not covered in this Tool.

Auditors are reminded to exercise **professional judgment** in planning and performing an audit of financial statements and to maintain **professional skepticism** throughout the audit. It is important to recognize the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance.

Additionally, while this Tool does not discuss the **documentation** requirements within each step, auditors are reminded to prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit to obtain an understanding of the nature, timing and extent of audit procedures performed, the results and audit evidence obtained and the significant matters that arose during the audit as required by paragraph 8 of CAS 230, *Audit Documentation*.

## Step 1

### Identify the entity's types of revenue and revenue transactions.

Obtaining an understanding of the entity's types of revenue (i.e., revenue streams) and the revenue transactions within each type of revenue is the first step in identifying and assessing the ROMM and developing an appropriate audit response. This understanding is necessary in order to evaluate whether there is a ROMM due to fraud in revenue recognition in the identified types of revenue and revenue transactions.

The fact that revenue is recorded in a single general ledger account does not necessarily mean there is only one revenue stream. The following may indicate there are multiple revenue streams (i.e., **types of revenue**):

- different products sold or services rendered
- separate information systems for recording revenue
- separate processes or controls
- different revenue recognition methods (e.g., FOB<sup>1</sup> shipping point vs. FOB destination)
- different accounting policies (e.g., percentage of completion vs. completed contract)
- management reporting (i.e., how revenue is presented or disaggregated in internal financial reporting by management may be an indication of different types of revenue or revenue transactions)

<sup>1</sup> Free on Board (FOB) is a transportation term indicating that the price for goods includes delivery at the Seller's expense to a specified point and no further.

Within each type of revenue, the entity may have different types of revenue transactions. Some things to consider when obtaining an understanding of the **revenue transactions** within each type of revenue include:

- jurisdictions where revenue is earned
- forms of payment
- rights of return, warranties and other obligations
- arrangements with resellers
- shipping and acceptance terms
- variations in contracts
- consideration exchanged
- incentive payments
- performance criteria
- cancellation provisions
- multiple deliverables

**Example #1:** An entity's **types of revenue** may include hardware sales, software sales and maintenance services whereas the **revenue transactions** regarding hardware sales may then include hardware sales in Canada, hardware sales in the U.S. and hardware sales internationally.

## Step 2

**Evaluate which types of revenue, revenue transactions or assertions give rise to the ROMM due to fraud in revenue recognition.**

Based on the identification of types of revenue and revenue transactions obtained in Step 1, the auditor is required to evaluate which types of revenue, revenue transactions or assertions give rise to the ROMM due to fraud. It is presumed there are risks of fraud in revenue recognition (see paragraph 26 of CAS 240).

## Assertions

When assessing the ROMM due to fraud in revenue recognition at the assertion level, auditors may consider which assertions are relevant in the circumstances:

Income statement assertions	Description of assertion	Example of fraud risks identified
Occurrence	Revenue transactions that have been recorded have occurred and pertain to the entity.	fictitious revenue transaction with existing customers or fictitious customers
Completeness	All revenue transactions that should have been recorded are recorded.	deliberately not recording revenue
Accuracy	Amounts and other data relating to recorded revenue transactions have been recorded appropriately.	incorrect amount of revenue recorded to overstate or understate revenue
Cut-off	Revenue transactions have been recorded in the appropriate accounting period.	aggressive recognition of revenue or deferral of revenue around period end
Classification	Revenue transactions have been recorded in the proper accounts.	revenue discounts purposely misclassified as an expense, purchase discounts purposely misclassified as revenue or revenue purposely recorded in a balance sheet account

Identifying the relevant assertions is important because the auditor is required to design an appropriate and effective audit response for the ROMM due to fraud at the assertion level (i.e., a significant risk). In many circumstances, only certain assertions will give rise to the ROMM due to fraud in revenue recognition. When designing further audit procedures to respond to the ROMM as a result of fraud at the assertion level, the procedures should address the relevant assertions that do give rise to the ROMM due to fraud (see [Step 5](#) in this Tool).

## Fraud Risk Factors

To assist in evaluating the types of revenue, revenue transactions and assertions that give rise to the ROMM due to fraud in revenue recognition, the auditor is required to evaluate whether information obtained from the other risk assessment procedures and related activities performed indicates that one or more fraud risk factors is present (see paragraph 24 of CAS 240).

Fraud risk factors are events or conditions that indicate:

- an incentive or pressure to commit fraud
- a perceived opportunity to commit fraud
- an ability to rationalize a fraudulent action.

Forensic accountants often refer to these three conditions as the “fraud triangle” because they are usually present when fraud exists. See [Appendix 2](#) for more information on the fraud triangle.

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<b>Rationalization of the fraudulent action</b>	Fraud risk factors indicating an attitude that permits rationalization of the fraudulent action may not be readily observable by the auditor. Therefore, an auditor may often assume the presence of an ability to rationalize the fraudulent action and focus on the identification of potential opportunities, incentives or pressures to commit fraud present at the entity.
<b>Incentives or pressures to commit fraud</b>  ( <a href="#">Appendix 4</a> )	Understanding the events or conditions that indicate an incentive or pressure to commit fraud will assist in the identification of fraud risk factors. While some incentives or pressures may be common across industries (e.g., analysts’ expectations, financial targets or ratios on which industries are evaluated), it is important to also consider entity-specific factors (e.g., bonus plans, stock options, performance metrics, meeting budgets).
<b>Opportunities to commit fraud</b>  ( <a href="#">Appendix 5</a> )	An understanding of the incentives or pressures present within an entity combined with an understanding of how potential fraud schemes are committed (see <a href="#">Appendix 3</a> ) may help the auditor in identifying the fraud risk factors related to events or conditions that provide perceived opportunities to commit fraud. While some perceived opportunities to commit fraud may be common across industries (e.g., engaging in side agreements, barter transactions, subjective estimates), it is also important to consider entity-specific perceived opportunities (e.g., strength of control environment, payment methods (e.g., cash payment) or subjective estimates).

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## How Are Fraud Risk Factors Identified?

The auditor identifies fraud risk factors that could indicate ROMM due to fraud in revenue recognition through risk assessment procedures and related activities such as:

- discussion among the engagement team members placing particular emphasis on how and where the entity’s financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur setting aside beliefs that the engagement team members may have that management and those charged with governance are honest and have integrity (see paragraph 15 of CAS 240)
- making inquiries of management, and others within the entity, as appropriate, regarding management’s assessment of the risk that the financial statements may be materially misstated due to fraud, and their process for identifying and responding to the risks of fraud (see paragraphs 17 and 18 of CAS 240). Assigning these procedures to an appropriate member of the engagement team will enhance the application of professional skepticism in that the team member may more readily become aware of conditions that appear problematic and will respond by investigating further and determining which modifications or additions to audit procedures are necessary to resolve the matter

- obtaining an understanding of how those charged with governance exercise oversight of management’s process for identifying and responding to the risks of fraud and their knowledge of any actual, suspected or alleged fraud affecting the entity (see paragraphs 20 and 21 of CAS 240)
- evaluating whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate ROMM due to fraud (see paragraph 22 of CAS 240). Analytical procedures may be more effective when applied to disaggregated information. Therefore, the auditor may consider whether the appropriate level of disaggregation was used to perform analytical procedures on revenue (e.g., consider whether revenue might be disaggregated by month and by product line or business segment during the current reporting period with comparable prior periods)
- considering whether other information obtained (e.g., inconsistent explanation or audit evidence) by the auditor indicates ROMM due to fraud (see paragraph 23 of CAS 240)

**Example #2: Examples demonstrating the linkage between potential fraud risk factors and the related assertion affected.**

**Example 2.1**

- Incentive or Pressure: A significant bonus is paid to the sales manager based on gross revenues. The sales manager therefore has an incentive to increase gross revenues.
- Opportunity: Control deficiencies exist in the sales process, including a lack of segregation of duties related to the recording of journal entries. The sales manager has the ability to approve and record journal entries. The sales manager, therefore, has an opportunity to increase gross revenue.
- Assertion: Cut-off, occurrence, accuracy

**Example 2.2**

- Incentive or Pressure: The entity is planning to expand and apply for a new banking facility. Therefore, there is pressure for management to demonstrate profitability and growth.
- Opportunity: Domestic sales are FOB shipping point while overseas sales are FOB destination. The information system is programmed to record all sales upon shipment. At month end the controller makes a manual journal entry adjustment to reverse revenue related to goods in transit for overseas sales. The controller, therefore, has an opportunity to increase gross revenue by not reversing revenue that has yet to be realized.
- Assertion: Cut-off, occurrence

## Step 3

### Conclude on which types of revenue or revenue transactions give rise to ROMM due to fraud in revenue recognition.

The auditor is required to identify and assess whether there are ROMM due to fraud in revenue recognition (see paragraph 26 of CAS 240).

Once all the information obtained from Steps 1 and 2 and the other risk assessment procedures and related activities has been evaluated, and the results indicate that one or more fraud risk factors is present, the auditor then evaluates whether ROMM due to fraud in revenue recognition has been identified. This identification is a matter of professional judgment. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and, therefore, may indicate risks of material misstatement due to fraud.

The auditor evaluates whether there are ROMM due to fraud in revenue recognition and concludes whether such risk exists for:

1. all types of revenue and revenue transactions
2. only certain types of revenue or revenue transactions
3. no types of revenue and revenue transactions

### Conclusion: ROMM Due to Fraud in Revenue Recognition Has Been Identified

If the auditor concludes that ROMM due to fraud in revenue recognition exists for all types of revenue and revenue transactions or only certain types of revenue or revenue transactions, the auditor is required to treat such risk as a significant risk and accordingly, to the extent not already done so, obtain an understanding of the entity's related controls, including control activities, relevant to such risk as discussed in [Step 4](#).

### Conclusion: ROMM Due to Fraud in Revenue Recognition Has NOT Been Identified

If the auditor concludes that ROMM due to fraud in revenue recognition does not exist for certain types of revenue or revenue transactions or all types of revenue or revenue transactions, the presumption that there are ROMM due to fraud in revenue recognition (for that type of revenue or revenue transaction) has been overcome and therefore is not applicable in those specific areas of the engagement.

If the auditor has concluded that the presumption that there is a ROMM due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the auditor shall include in the audit documentation the reasons for that conclusion (see paragraph 47 of CAS 240). Documenting the results of the procedures undertaken in Steps 1 and 2 will help in establishing the reasons for the auditor's conclusions.



## Step 4

### To the extent not already done so, obtain an understanding of the entity's related controls, including control activities, relevant to the identified risk.

Once the auditor has concluded that ROMM due to fraud in revenue recognition exists for all or only certain types of revenue and revenue transactions, the auditor is required to treat such risk as a significant risk and accordingly, to the extent not already done so, obtain an understanding of the controls, including control activities, relevant to such risk (see paragraph 27 of CAS 240).

When obtaining an understanding of the controls, including control activities, relevant to the ROMM due to fraud in revenue recognition, the auditor is required to evaluate the design of those controls and determine whether they have been implemented. This is done by performing procedures in addition to inquiry of the entity's personnel. There is little point in determining whether a control that is not effectively designed to address the identified risk has been implemented, and so evaluating the design of a control is considered first.

An improperly designed control (or absence of a control) to address a significant risk is a significant deficiency in internal control. The auditor is required to communicate in writing significant deficiencies in internal control identified during the audit to those charged with governance on a timely basis (see paragraph 9 of CAS 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*).

If the auditor obtains evidence from performing further audit procedures (e.g., tests of controls) or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor is required to revise the assessment and modify the further planned audit procedures accordingly (see paragraph 31 of CAS 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*). Therefore, when the auditor's risk assessment is based on an expectation that certain controls are operating effectively and in performing tests of those controls, the auditor obtains evidence that they were not operating effectively at relevant times during the audit, the auditor is required to revise the risk assessment and modify the further planned audit procedures (e.g., substantive procedures) accordingly.

It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the identified ROMM due to fraud in revenue recognition.

### **Example #3: An example of related controls relevant to the identified ROMM due to fraud in revenue recognition.**

In Example 2.2, the following opportunity to commit fraud was identified:

Domestic sales are FOB shipping point while overseas sales are FOB destination. A month-end manual journal entry adjustment is made to reverse revenue related to goods in transit for overseas sales.

Examples of related controls relevant to the identified ROMM due to cut-off include:

- The information system does not allow a sale to be recorded before the shipment date. If this automated control is operating effectively, the risk of overstatement relating to domestic sales will be addressed. The auditor will then focus on controls over the journal entry that adjusts revenue related to goods in transit for overseas sales in order to address the risk relating to FOB destination sales.
- After year end, management compiles proof of delivery for all FOB destination sales that support the journal entry (i.e., overseas sales with shipment dates before year-end and delivery dates after year-end). The journal entry is reviewed and discrepancies (e.g., an overseas sale included in the journal entry, but the proof of delivery date is before year-end) are investigated by the CFO of the company.

The entity may have other controls in place relevant to the identified ROMM due to cut-off.

## **Step 5**

### **Design and perform further audit procedures to respond to the identified risk.**

The auditor is required to design and perform further audit procedures whose nature, timing and extent are responsive to the assessed ROMM due to fraud at the assertion level (see paragraph 30 of CAS 240). Using the information obtained in Steps 1 through 4, the auditor designs audit procedures that will respond specifically to the identified ROMM due to fraud in revenue recognition.

Designing procedures that respond specifically to the ROMM due to fraud in revenue recognition involves considering the way revenue could be intentionally misstated and how the fraud might be concealed. Auditors who identify revenue as having a general risk of improper revenue recognition without attempting to perform Steps 1 through 4 may find it difficult to develop meaningful responses to the identified ROMM due to fraud in revenue recognition.

#### **Example #4: Considerations when designing further audit procedures to respond to the identified ROMM due to fraud in revenue recognition.**

Based on an identified ROMM due to fraud in relation to the cut-off of sales, the auditor designs and performs procedures to respond to the identified fraud risk and the assertion affected. To respond to this fraud risk by performing cut-off procedures over a short period (e.g., five days before/after year end) may not be a sufficient audit response. To design a more appropriate response, the auditor may consider the following questions:

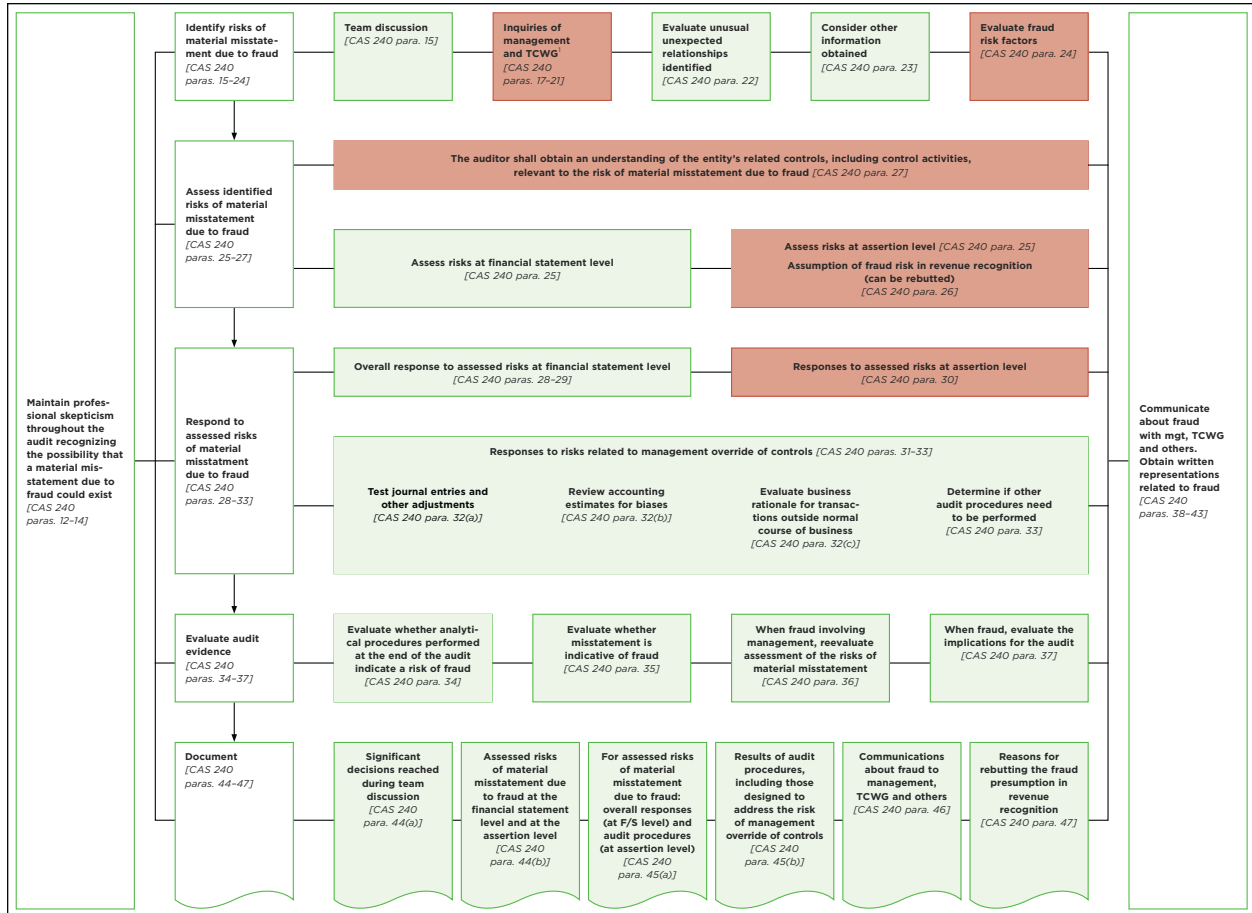
- What are the entity's procedures related to closing their books? Depending on their process for closing, the auditor's cut-off testing period and number of items selected may increase.
- Are there analytical procedures using disaggregated data that can be performed to clarify where the risk is? For example, can the number of shipments recorded per month be compared by type of revenue or revenue transaction to determine whether there are unusual increases in the number of transactions close to year end and, if so, in which type of revenue or revenue transaction?
- Can audit procedures be leveraged over related financial statement areas, such as accounts receivable?
- Are there specific inquiries to be made of the entity's sales and marketing personnel or in-house legal counsel about unusual terms or conditions associated with the revenue transactions?

## **Summary**

In addition to reading the CASs, this Tool assists an auditor in identifying, assessing and responding to fraud risks when auditing revenue. It is important to understand how fraud may be committed (i.e., common fraud schemes) to assist in the identification of events and conditions that provide an opportunity to commit a fraud. Appropriately identifying and assessing risk factors will help the auditor design responsive audit procedures. Procedures that are not responsive to the identified risk may not be sufficient to reduce the risk of material misstatement. To perform an effective audit, the procedures must relate to the assertions affected by the risk. Finally, the auditor documents each of the steps performed as required by paragraph 8 of CAS 230, *Audit Documentation*.

# Appendix 1—CAS 240 Requirements

This diagram summarizes the specific requirements in CAS 240 dealing with the auditor’s responsibilities relating to fraud in an audit of financial statements. It highlights in red the specific requirements in paragraphs 16, 25-27 and 30 as they pertain to revenue, which are discussed in this Tool, and shows how these specific requirements fit into the overall standard as well as their relation with other requirements.



## Appendix 2—The Fraud Triangle

In order to perform effective risk assessment procedures, auditors are reminded to consider all three conditions that provide clues to the existence of a potential fraud. Forensic accountants often refer to these conditions as the “fraud triangle” because these three conditions are generally present when fraud exists.



Fraud triangle:

- **Incentive or pressure** may exist when management is under pressure, from sources outside or inside the entity, to achieve an expected (and perhaps unrealistic) earnings target or financial outcome—particularly since the consequences for management for failing to meet financial goals can be significant.
- A perceived **opportunity** to commit fraud may exist when an individual believes internal control can be overridden (e.g., because the individual is in a position of trust or has knowledge of specific deficiencies in internal control).
- Some **rationalization** of the act—the belief that a fraud has not really been committed (e.g., the perpetrator rationalizes “this is not a big deal”). Some individuals possess an attitude, character or set of ethical values that allow them knowingly and intentionally to commit a dishonest act. However, even otherwise honest individuals can commit fraud in an environment that imposes sufficient pressure on them.

## Appendix 3—Common Fraud Schemes

Common fraud schemes include (this is not an exhaustive list):

- **Fictitious sales:** A company representative may falsify inventory records, shipping records or invoices. The company may record sales for goods merely shipped to another company location or the company may pretend to ship goods in order to appear as if a sale has occurred and then hide the related inventory (which was never shipped to customers) from company auditors.
- **Improper cut-off of sales:** A company may hold the accounting records open beyond the balance sheet date to record sales of the subsequent accounting period in the current period.
- **Conditional sales:** A company may record transactions as revenue even though the sales involve unresolved contingencies or the terms of the sale were amended subsequently by side letter agreements, which may eliminate the customer's obligation to keep the merchandise.
- **Round-tripping or recording loans as sales:** A company may record sales by shipping goods to alleged customers and then providing funds to the customers to pay back to the company or they might record loan proceeds as revenues.
- **Bill-and-hold transactions:** A company may improperly record sales from bill-and-hold transactions that have not met the criteria for revenue recognition.
- **Recognition of revenue before all the terms of the sale are complete:** A company may record sales after goods are ordered but before they were shipped to the customer.
- **Channel stuffing:** A company may recognize revenue from shipments to resellers in excess of demand.
- **Consignment sales:** A company may recognize revenue for goods on consignment.
- **Sales discounts:** A company may fail to establish appropriate reserves for sales discounts and other allowances.
- **Returns:** A company may over/underestimate the number of returns expected.
- **Percentage of completion:** A company may manipulate costs to complete which impact revenue recognition of construction contracts.

## Appendix 4—Incentives or Pressures to Commit Fraud

The following are examples of fraud risk factors resulting from incentives or pressures to commit fraud that may be identified (this list is not exhaustive) (see [Appendix 1](#) of CAS 240):

Incentives or pressures to commit fraud	Examples
Financial stability or profitability is threatened by economic, industry, or entity operating conditions	<ul style="list-style-type: none"><li>• high degree of competition or market saturation, accompanied by declining margins</li><li>• high vulnerability to rapid changes, such as changes in technology, product obsolescence, or interest rates</li><li>• significant declines in customer demand and increasing business failures in either the industry or overall economy</li><li>• operating losses making the threat of bankruptcy, foreclosure, or hostile takeover imminent</li><li>• recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth</li><li>• rapid growth or unusual profitability especially compared to that of other companies in the same industry</li><li>• new accounting, statutory, or regulatory requirements</li></ul>
Excessive pressure exists for management to meet the requirements or expectations of third parties.	<ul style="list-style-type: none"><li>• profitability or trend level expectations of investment analysts, institutional investors, significant creditors, or other external parties (particularly expectations that are unduly aggressive or unrealistic), including expectations created by management in, for example, overly optimistic press releases or annual report messages</li><li>• need to obtain additional debt or equity financing to stay competitive—including financing of major research and development or capital expenditures</li><li>• marginal ability to meet exchange listing requirements or debt repayment or other debt covenant requirements</li><li>• perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as business combinations or contract awards</li></ul>

## Incentives or pressures to commit fraud

### Examples

Information available indicates that the personal financial situation of management or those charged with governance is threatened by the entity's financial performance.

This may arise from:

- significant financial interests in the entity.
- significant portions of their compensation (for example, bonuses, stock options, and earn-out arrangements) being contingent upon achieving aggressive targets for stock price, operating results, financial position, or cash flow.
- personal guarantees of debts of the entity.

There is excessive pressure on management or operating personnel to meet financial targets established by those charged with governance

- sales or profitability incentive goals



## Appendix 5—Opportunities to Commit Fraud

The following are examples of fraud risk factors resulting from opportunities to commit fraud that may be identified (this list is not exhaustive) (see [Appendix 1](#) of CAS 240):

Opportunities to commit fraud	Examples
The nature of the industry or the entity's operations	<ul style="list-style-type: none"><li>• significant related-party transactions not in the ordinary course of business or with related entities not audited or audited by another firm</li><li>• a strong financial presence or ability to dominate a certain industry sector that allows the entity to dictate terms or conditions to suppliers or customers that may result in inappropriate or non-arm's-length transactions</li><li>• assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgments or uncertainties that are difficult to corroborate</li><li>• significant, unusual, or highly complex transactions, especially those close to period end that pose difficult "substance over form" questions</li><li>• significant operations located or conducted across international borders in jurisdictions where differing business environments and cultures exist</li><li>• use of business intermediaries for which there appears to be no clear business justification</li><li>• significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be no clear business justification</li></ul>
The monitoring of management is not effective	<ul style="list-style-type: none"><li>• domination of management by a single person or small group (in a non owner-managed business) without compensating controls</li><li>• oversight by those charged with governance over the financial reporting process and internal control is not effective</li></ul>
There is a complex or unstable organizational structure	<ul style="list-style-type: none"><li>• difficulty in determining the organization or individuals that have controlling interest in the entity</li><li>• overly complex organizational structure involving unusual legal entities or managerial lines of authority</li><li>• high turnover of senior management, legal counsel, or those charged with governance</li></ul>

**Opportunities  
to commit fraud****Examples**

Internal control components are deficient

- inadequate monitoring of controls, including automated controls and controls over interim financial reporting (where external reporting is required)
  - high turnover rates or employment of staff in accounting, information technology, or the internal audit function that are not effective
  - accounting and information systems that are not effective, including situations involving significant deficiencies in internal control
-

## Related Resources

Visit the [CPA Canada website](#) where you will find resources on related topics:

- [Implementation Tool for Auditors—Testing Journal Entries and Other Adjustments: Responding to the Risk of management Override of Controls](#)
- [Implementation Tool for Auditors—Auditing Accounting Estimates Under CASs: What, Why and How?](#)
- [Audit Client Briefing—Relevant Considerations for Management in the Determination of Accounting Estimates](#)
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## About This Publication

CPA Canada undertakes initiatives to support practitioners and their clients in the implementation of standards. As part of these initiatives, CPA Canada created the Advisory Group on Implementation of Canadian Auditing Standards to provide advice on the identification of issues related to the implementation of Canadian Auditing Standards (CASs) and on the development of non-authoritative implementation guidance related to these issues.

CPA Canada staff prepared this publication based on the advice of the advisory group. It provides non-authoritative guidance and has not been adopted, endorsed, approved or otherwise acted upon by the Auditing and Assurance Standards Board.

Auditors are expected to use professional judgment in determining whether the material in this publication is both appropriate and relevant to the circumstances of their particular audit engagements. This publication is based on the CASs as of April 2016.

CPA Canada expresses its appreciation to the members of the Advisory Group on Implementation of Canadian Auditing Standards, the members of the Advisory Group on Audit Guidance and to CPA Canada staff for preparing this publication.

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## Consultation & Feedback

Comments on this *Implementation Tool for Auditors*, or suggestions for future Implementation Tools should be sent to:

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