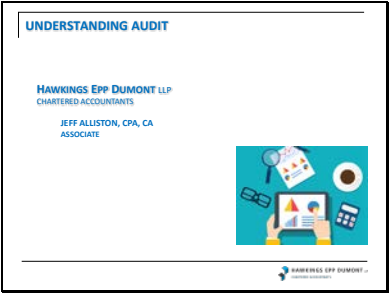


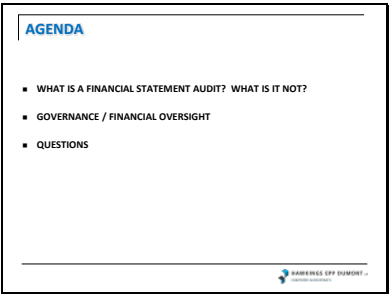
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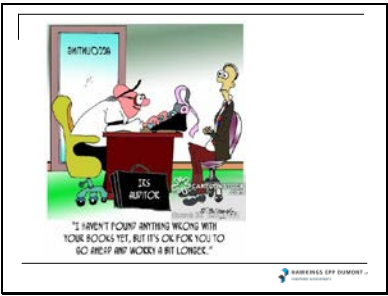
Slide 2



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Slide 4



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CANADIAN AUDITING STANDARDS


- AUDITOR SHALL APPLY ALL CASs RELEVANT TO AUDIT
 - MORE THAN 500 "THE AUDITOR SHALL"
- CAS 200 – OBJECTIVES OF AN AUDIT
- CAS 240 – AUDITORS' RESPONSIBILITIES RE: FRAUD
- CAS 260 / 265 – COMMUNICATING WITH GOVERNANCE
- CAS 320 - MATERIALITY

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CAS 200 – OBJECTIVES OF AN AUDIT


- ENHANCE DEGREE OF CONFIDENCE OF INTENDED USERS
- AUDITOR EXPRESSES OPINION ON FINANCIALS
- AUDITOR OBTAINS REASONABLE ASSURANCE
 - FINANCIALS FREE OF MATERIAL MISSTATEMENTS
 - FRAUD OR ERROR
- REASONABLE ASSURANCE = HIGH LEVEL ASSURANCE
 - NOT ABSOLUTE ASSURANCE
 - MOST AUDIT EVIDENCE IS PERSUASIVE NOT CONCLUSIVE
- PROFESSIONAL JUDGMENT
- PROFESSIONAL SKEPTICISM

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PROFESSIONAL JUDGMENT

- ESSENTIAL TO PROPER CONDUCT OF AN AUDIT
- MATERIALITY / AUDIT RISK
- NATURE, TIMING, & EXTENT OF AUDIT PROCEDURES
- EVALUATING SUFFICIENT APPROPRIATE AUDIT EVIDENCE
- DRAWING CONCLUSIONS
 - REASONABLENESS OF MANAGEMENT ESTIMATES
- PROFESSIONAL SKEPTICISM



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PROFESSIONAL SKEPTICISM




- CONTRADICTIONARY AUDIT EVIDENCE
- RELIABILITY OF DOCUMENTS AND RESPONSES TO INQUIRIES
- CONDITIONS THAT MAY INDICATE FRAUD
- EVALUATING SUFFICIENT APPROPRIATE AUDIT EVIDENCE
- CRITICAL ASSESSMENT OF AUDIT EVIDENCE
- TRUST BUT VERIFY



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CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD


- CONCERNED WITH FRAUD = MATERIAL MISSTATEMENT
 - RISK OF NON-DETECTION > RISK OF ERROR
 - RISK OF MANAGEMENT FRAUD > EMPLOYEE FRAUD
- FRAUDULENT FINANCIAL REPORTING
 - MISSTATEMENTS INTENTIONAL
- MISAPPROPRIATION OF ASSETS
 - THEFT
- PREVENTION / DETECTION MANAGEMENT RESPONSIBILITY
 - WITH BOARD OF DIRECTORS OVERSIGHT



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CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD


- PROFESSIONAL SKEPTICISM
- ENGAGEMENT TEAM DISCUSSION
- INQUIRIES OF MANAGEMENT / EMPLOYEES / BOARD OF DIRECTORS
- PRESUMED RISK OF FRAUD IN REVENUE RECOGNITION
- ELEMENT OF UNPREDICTABILITY IN AUDIT PROCEDURES
- TEST JOURNAL ENTRIES (RISK MANAGEMENT OVERRIDE)
- REVIEW ACCOUNTING ESTIMATES FOR BIAS
- WRITTEN REPRESENTATIONS



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ELEMENT OF UNPREDICTABILITY?????







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CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD

- IF AUDITOR SUSPECTS / FINDS FRAUD
 - COMMUNICATE WITH APPROPRIATE LEVEL OF MANAGEMENT
 - IF MANAGEMENT FRAUD COMMUNICATE TO BOARD / AUDIT COMMITTEE





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CAS 320 – MATERIALITY

■ DETERMINATION REQUIRES PROFESSIONAL JUDGMENT

■ AUDITOR ASSUMES USERS...

- HAVE REASONABLE KNOWLEDGE BUSINESS / ACCOUNTING
- UNDERSTAND FINANCIALS AUDITED TO LEVELS OF MATERIALITY
- RECOGNIZE UNCERTAINTIES INHERENT (ESTIMATES, ETC.)
- MAKE REASONABLE ECONOMIC DECISIONS

■ MATERIAL = INFLUENCE ECONOMIC DECISIONS OF USERS


- INDIVIDUALLY OR IN THE AGGREGATE (CAS 450)

■ REDUCE UNCORRECTED AND UNDETECTED MISSTATEMENTS

- TO APPROPRIATELY LOW LEVEL

■ BENCHMARKS

- TOTAL REVENUE / EXPENSES (COMMON FOR NPOs)
- PROFIT BEFORE TAX

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CAS 260 – COMMUNICATION WITH TCWG

■ PROMOTE EFFECTIVE TWO-WAY COMMUNICATION


- WRITTEN OR ORAL

■ CLEARLY COMMUNICATE AUDITORS' RESPONSIBILITIES

- PLANNED SCOPE & TIMING (AUDIT PLANNING LETTER)

■ PROVIDE TIMELY OBSERVATIONS ARISING FROM THE AUDIT

- AUDIT FINDINGS LETTER
- SIGNIFICANT FINDINGS
- VIEWS ABOUT NPO'S ACCOUNTING PRACTICES, POLICIES
- UNCORRECTED MISSTATEMENTS
- SIGNIFICANT DIFFICULTIES
- INDEPENDENCE

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OPERATIONAL AUDITS

■ EXAMINE ECONOMY, EFFICIENCY, EFFECTIVENESS

■ ARE INTERNAL CONTROLS & PROCESSES EFFICIENT / EFFECTIVE?

■ HOW ORGANIZATION CONDUCTS BUSINESS

- VALUE FOR MONEY

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GOVERNANCE / FINANCIAL OVERSIGHT

■ SET OVERALL DIRECTION & GOALS

□ HIGH LEVEL - STRATEGIC - SET PRIORITIES - NOT OPERATIONAL

□ ROLE IS POLICY MAKERS

□ DEVELOP & EVALUATE NPO POLICIES AND PROGRAMS

□ POLICIES = GUIDELINES FOR MANAGEMENT TO FOLLOW WHEN DOING THEIR JOB

■ RESPONSIBLE ALLOCATION OF RESOURCES IN THE ANNUAL BUDGET

■ EFFECTIVE BOARD MEMBERS REFRAIN FROM MANAGEMENT FUNCTIONS

□ RESPONSIBILITY OF ED AND STAFF

□ OBTAIN INFORMATION RE: OPERATIONS FROM THE ED

■ DEMAND ACCOUNTABILITY

□ OVERSEE THE PERFORMANCE OF MANAGEMENT

□ ASK QUESTIONS - SEEK CLARIFICATION

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GOOD GOVERNANCE

■ DOING THE RIGHT THINGS

■ IN THE RIGHT WAY

■ FOR THE RIGHT PEOPLE

■ IN A TIMELY

■ INCLUSIVE

■ OPEN

■ HONEST

■ ACCOUNTABLE MANNER

■ BAD GOVERNANCE

Not Timely

Not Inclusive

Not Open

Not Honest

Not Accountable

■ GOOD GOVERNANCE

Timely

Inclusive

Open

Honest

Accountable

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GOVERNANCE / FINANCIAL OVERSIGHT

■ DEVELOP THE BUDGET

□ WHAT SOURCES OF REVENUE ARE AVAILABLE?

□ WHAT EXPENDITURES ARE REQUIRED?

■ MONITOR PERFORMANCE AGAINST BUDGET

□ REVIEW REGULAR FINANCIAL REPORTS

□ REPORTS SHOULD EXPLAIN SIGNIFICANT VARIATIONS

□ ENSURE POLICIES / PROCESSES FOR SIGNIFICANT VARIATIONS ARE BEING USED

■ REVIEW & APPROVE AUDITED FINANCIAL STATEMENTS

□ UNDERSTAND MAJOR FINANCIAL STATEMENT TERMINOLOGY

□ ENSURE AUDITOR RECOMMENDATIONS ARE ADDRESSED BY ADMINISTRATION

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