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GENERAL ASSURANCE AND AUDITING

SECTION 5100

generally accepted auditing standards

Additional Resources

STANDARDS AND PROCEDURES

- .01 Auditing standards are different from auditing procedures. Auditing standards relate to the auditor's qualifications, the performance of his or her examination and the preparation of his or her report. Auditing procedures, on the other hand, are the specific acts or steps performed by the auditor to attain his or her objectives in the particular audit engagement.

GENERALLY ACCEPTED AUDITING STANDARDS

- .02 ♦ *Generally Accepted Auditing Standards are as follows:*

General standard

The examination should be performed and the report prepared by a person or persons having adequate technical training and proficiency in auditing, with due care and with an objective state of mind. [SEPT. 1975]

Examination standards

- (i) *The auditor should plan and perform the audit to reduce audit risk to an acceptably low level that is consistent with the objective of an audit. The auditor should plan the nature, timing and extent of direction and supervision of engagement team members and review of their work. [JAN. 2006 *]*
- (ii) *The auditor should obtain an understanding of the entity and its environment, including internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. [JAN. 2006]*
- (iii) *The auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion. [JAN. 2006]*

Reporting standards

- (i) *The report should identify the financial statements and distinguish between the responsibilities of management and the responsibilities of the auditor. [MARCH 1991 **]*
- (ii) *The report should describe the scope of the auditor's examination. [MARCH 1991 **]*
- (iii) *The report should contain either an expression of opinion on the financial statements or an assertion that an opinion cannot be expressed. In the latter case, the reasons therefor should be stated. [SEPT. 1975 *]*
- (iv) *Where an opinion is expressed, it should indicate whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles, except when the financial statements are prepared as described in AUDITOR'S REPORT ON FINANCIAL STATEMENTS PREPARED USING A BASIS OF ACCOUNTING OTHER THAN*

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph 5600.09.

*The report should provide adequate explanation with respect to any reservation contained in such opinion. For entities whose financial statements are prepared in accordance with the CICA Public Sector Accounting Handbook, the auditor's opinion should also indicate whether the financial statements present fairly the changes in the entity's net debt. [JULY 2007 **]*

APPLICABILITY OF THE STANDARDS

- .03 The auditing standards in paragraph 5100.02 apply to engagements in which the objective is the expression of an audit opinion on financial statements. The Recommendations in the CICA Handbook – Assurance concerning an audit of financial statements are developed based on paragraph 5100.02. An auditor performing an audit of financial statements in accordance with generally accepted auditing standards will identify, understand and comply with Recommendations in the Handbook that are applicable to that engagement as required by **AUTHORITY OF AUDITING AND ASSURANCE STANDARDS AND OTHER GUIDANCE**, Section 5021. Section 5021 provides guidance on the authority of Recommendations, explanatory material, interpretive publications and other auditing and assurance publications that a practitioner may refer to when performing an assurance engagement.
- .04 The general standard in paragraph 5100.02 is intended to express the spirit of the related rule(s) of professional conduct of each provincial institute / ordre, to which rule(s) the auditor is referred.

BASIS OF ACCOUNTING

- .05 Reporting standard (iv) in paragraph 5100.02 contains a reference to "Canadian generally accepted accounting principles". For profit-oriented enterprises and not-for-profit organizations, the auditor would refer to **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CICA HANDBOOK – ACCOUNTING** Section 1100, and **FINANCIAL STATEMENT CONCEPTS, CICA HANDBOOK – ACCOUNTING** Section 1000, for:
- (a) a description of what constitutes the term "generally accepted accounting principles" and its sources;
 - (b) guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of generally accepted accounting principles; and
 - (c) guidance on matters requiring the exercise of professional judgment.

For public sector reporting entities, the auditor would refer to **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CICA PUBLIC SECTOR ACCOUNTING HANDBOOK** Section PS 1150.

Footnotes

* Editorial change — September 2005.

** The Recommendations with respect to the reporting standards are effective for auditors' reports dated on or after the first day of the month noted.

** The Recommendations with respect to the reporting standards are effective for auditors' reports dated on or after the first day of the month noted.

* Editorial change — July 1979.

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