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What's New

Update #38

May 2007

To: Subscribers of the Professional Engagement Manual — Update #38

Dear Colleagues:

Enclosed is Update #38 to the **CICA Professional Engagement Manual**. This update contains a number of new appendices based on material in the previous version of PEM and some changes to the audit and review forms.

Highlights of this update include:

Chapter 1—Performing Professional Services

Appendix 1A: Sample Letters — a number of sample audit letters have been updated and the addition of sample letters for a compilation engagement, obtaining authorization from client to grant access to working papers, obtaining understanding regarding access to working papers, and solicitor-client privilege.

Appendix B: Sample Privacy Policy

Chapter 3—Risk Assessment

Appendix 3B: Some guidance has been added with regard to auditing in an IT environment, including assessing the complexity of the IT environment and a simple worksheet for documenting major IT applications in place.

Chapter 4—Responding to Assessed Risks

Appendix 4A — Sample Management Representation Letters, addition of sample letter for Not-for-profit.

Appendix 4B: Statistical Sampling

Appendix 4C: Sample Letters — Confirmations and Enquiries

Chapter 6—Reporting

Appendix 6D: Management Letters, including sample letters for reportable audit findings, material weaknesses in internal control and derivative communications.

Chapter 8—Performing a Review Engagement

Appendix 8A: Sample Letters — addition of sample letter for differential reporting — indicating shareholder's consent.

Chapter 9—Performing Compilation Engagements

Appendix 9B — Examples of Safeguards and Notice to Reader Disclosures Where There is an Impairment of Independence.

Practice Aids – Sample Forms

A number of minor changes to the review and audit forms have been made to better explain how to use certain of the forms and to improve the general usability. In particular:

- A combined risk assessment column has been added to the risk registers (Audit Forms 515, 520 & 522) and the scoring criteria (1–4) has been simplified to low risk = 1 and high risk = 4. The subtitles that addressed the various types of risks have also been removed from the forms, as they tended to make the forms lengthy, difficult to complete and prevented the risk factors being sorted and ranked based on their combined risk score.
- The two audit forms (550 and 552) for documenting audit team meetings have been consolidated into a new PEM Form 550.
- The suggested audit evidence points on Form 606 and the individual x.100 detailed planning forms have been modified. The suggestion is now 4-6 points for a low risk assertion, 7-8 for moderate risk assertions and 9-10 for a high risk assertion. This reflects the very low level of risk that exists on some small audit clients. In addition, the suggested points for a substantive analytical procedure have been raised from 2-3 to 3-4. The shading of some boxes in the evidence points matrix has also been removed.

Contents Checklist

We have also added a contents checklist to the PEM in this update. This is a useful reference tool for ensuring that your manual is complete and up-to-date.

CICA Electronic PEM Template – Checklists, Forms & Sample Letters

Available through knotia or on CD-ROM, the CICA Electronic PEM Template package includes a Word or Excel template of each of the checklists, forms and sample letters that are included in the PEM. These templates allow you to both customize the checklists, forms and letters to meet the needs of individual engagements as well as complete them on a PC. Just \$150 for an annual subscription, the template package is only available to individuals or firms with a current subscription to the PEM. For more information and to order, visit www.knotia.ca/store/pemtpl

We Welcome Your Comments

We hope that the PEM continues to meet your practice needs. We appreciate hearing from our subscribers and will continue to respond to your valued comments and suggestions. Please send your comments to my attention by mail, e-mail peter.hoult@cica.ca or fax (416) 204-3414.

Yours very truly,



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