**Engagement Team Competency, Capabilities and Resource Assessment**

**Overview**

In accordance with CSQM 1 and CAS 220, engagement leaders shall:

- assess and be satisfied that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner;

- assess and be satisfied that member of the engagement team collectively have the appropriate competence and capabilities including sufficient time to perform the audit engagement; and

- take appropriate action when resources assigned or made available are insufficient or inappropriate.

**Timing Requirement**

This assessment must be completed by the engagement leader prior to completion of the planning phase of each audit engagement.

**CPA Canada Assurance Standards**

| **Office** | **Annual Audit** |
| --- | --- |
| ***Resources***  CSQM 1.32 The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: (Ref: Para. A86-A87)  Human Resources   1. Engagement team members are assigned to each engagement, including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements. (Ref: Para. A88-A89, A95-A97) | ***Engagement Resources***  CAS 220.25 The engagement partner shall determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, the firm's policies or procedures, and any changes that may arise during the engagement. (Ref: Para. A60-A71, A74-A75, A79)  CAS 220.26 The engagement partner shall determine that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. (Ref: Para. A63, A72-A75)  CAS 220.27 If, as a result of complying with the requirements in paragraphs [25](https://www.knotia.ca/knowledge/home.aspx?productid=126) and [26](https://www.knotia.ca/knowledge/home.aspx?productid=126), the engagement partner determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the audit engagement, the engagement partner shall take appropriate action, including communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement. (Ref: Para. [A76](javascript:document.k5doc.loadDocumentByGotoString(126,%20'CAS%20220.A76',%200,%20null,%20false,%20221130911))-A78) |
| ***Engagement Team Members Assigned to Each Engagement (Ref: Para. 32(d))***  CSQM 1.A95 Engagement team members may be assigned to engagements by:   * The firm, including assigning personnel from a service delivery center in the firm. * The firm's network or another network firm when the firm uses individuals from the firm's network or another network firm to perform procedures on the engagement (e.g., a component auditor or a service delivery center of the network or another network firm). * A service provider when the firm uses individuals from a service provider to perform procedures on the engagement (e.g., a component auditor from a firm that is not within the firm's network).   CSQM 1.A96 CAS 220 addresses the responsibility of the engagement partner to determine that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement. CAS 600 expands on how CAS 220 is to be applied in relation to an audit of group financial statements. The responses designed and implemented by the firm to address the competence and capabilities of engagement team members assigned to the engagement may include policies or procedures that address:   * Information that may be obtained by the engagement partner and factors to consider in determining that the engagement team members assigned to the engagement, including those assigned by the firm's network, another network firm or service provider, have the competence and capabilities to perform the engagement. * How concerns about the competence and capabilities of engagement team members, in particular those assigned by the firm's network, another network firm or service provider, may be resolved. | ***Human Resources***  CAS 220.A63.     Human resources include members of the engagement team (see also paragraphs [A5](javascript:document.k5doc.loadDocumentByGotoString(126,%20'CAS%20220.A5',%200,%20null,%20false,%20221130911)), [A15](https://www.knotia.ca/knowledge/home.aspx?productid=126)-A21) and, where applicable, an auditor's external expert and individuals from within the entity's internal audit function who provide direct assistance on the audit.  ***Competence and Capabilities of the Engagement Team (Ref: Para. 26)***  CAS 220.A72 When determining that the engagement team has the appropriate competence and capabilities, the engagement partner may take into consideration such matters as the team's:   * Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation. * Understanding of professional standards and applicable legal and regulatory requirements. * Expertise in specialized areas of accounting or auditing. * Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the audit engagement. * Knowledge of relevant industries in which the entity being audited operates. * Ability to exercise professional skepticism and professional judgment. * Understanding of the firm's policies or procedures.   CAS 220.A73 Internal auditors and an auditor's external expert are not members of the engagement team. CAS 610 and CAS 620 include requirements and guidance relating to the assessment of the competence and capabilities of internal auditors and an auditor's external expert, respectively.  ***Project Management***  CAS 220.A74 In situations where there are many engagement team members (e.g., in an audit of a larger or more complex entity), the engagement partner may involve an individual who has specialized skills or knowledge in project management, supported by appropriate technological and intellectual resources of the firm. Conversely, in an audit of a less complex entity with few engagement team members, project management may be achieved by a member of the engagement team through less formal means.  CAS 220.A75 Project management techniques and tools may support the engagement team in managing the quality of the audit engagement by, for example:   * Increasing the engagement team's ability to exercise professional skepticism through alleviating budget or time constraints that may otherwise impede the exercise of professional skepticism; * Facilitating timely performance of audit work to effectively manage time constraints at the end of the audit process when more difficult or contentious matters may arise; * Monitoring the progress of the audit against the audit plan, including the achievement of key milestones, which may assist the engagement team in being proactive in identifying the need for making timely adjustments to the audit plan and the assigned resources; or * Facilitating communication among members of the engagement team, for example, coordinating arrangements with component auditors and auditor's experts.   ***Insufficient or Inappropriate Resources (Ref: Para.***[**27**](https://www.knotia.ca/knowledge/home.aspx?productid=126)***)***  CAS 220.A76 [CSQM 1](https://www.knotia.ca/knowledge/home.aspx?productid=126) addresses the firm's commitment to quality through its culture that exists throughout the firm, which recognizes and reinforces the firm's role in serving the public interest by consistently performing quality engagements, and the importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities. CSQM 1 also addresses the firm's responsibilities for planning for resource needs, and obtaining, allocating or assigning resources in a manner that is consistent with the firm's commitment to quality. However, in certain circumstances, the firm's financial and operational priorities may place constraints on the resources assigned or made available to the engagement team. In such circumstances, these constraints do not override the engagement partner's responsibility for achieving quality at the engagement level, including for determining that the resources assigned or made available by the firm are sufficient and appropriate to perform the audit engagement.  CAS 220.A77 The engagement partner's determination of whether additional engagement level resources are required is a matter of professional judgment and is influenced by the requirements of this CAS and the nature and circumstances of the audit engagement. As described in paragraph [A11](https://www.knotia.ca/knowledge/home.aspx?productid=126), in certain circumstances, the engagement partner may determine that the firm's responses to quality risks are ineffective in the context of the specific engagement, including that certain resources assigned or made available to the engagement team are insufficient. In those circumstances, the engagement partner is required to take appropriate action, including communicating such information to the appropriate individuals in accordance with paragraph [27](https://www.knotia.ca/knowledge/home.aspx?productid=126) and paragraph [39](https://www.knotia.ca/knowledge/home.aspx?productid=126)(c). For example, if an audit software program provided by the firm has not incorporated new or revised audit procedures in respect of recently issued industry regulation, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the audit engagement.  CAS 220.A78 If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:   * Changing the planned approach to the nature, timing and extent of direction, supervision and review (see also paragraph [A94](https://www.knotia.ca/knowledge/home.aspx?productid=126)). * Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation. * Following the firm's policies or procedures for resolving differences of opinion if the engagement partner does not obtain the necessary resources for the audit engagement. * Following the firm's policies or procedures for withdrawing from the audit engagement, when withdrawal is possible under applicable law or regulation. |

The following steps in this template support the assessment of the necessary competencies, capabilities and resources for the assurance engagement:

1. Identify the assurance engagement and factors that characterize the complexity of the engagement

2. Document the current resources available for the engagement

3 a) & b) Assess the competencies, capabilities, resources and time of the engagement team and the sufficiency of available resources and time

3 c) Mitigate gaps in collective competencies, capabilities, resources and time

4. Affirmation

Appendix A: Factors that contribute to engagement complexities

It is important to remember that documentation should demonstrate **how** members of the engagement team, and any auditor’s external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.

**Protection of Personal Information**

Care must be taken to ensure that information of a personal nature regarding individual competencies is not divulged as part of this exercise or included in the audit file.

This completed Template is to be included in the audit file.

# Identify the assurance engagement and factors that characterize the complexity of the engagement

# Annual Audit of:

Identify the specific elements or factors that contribute to the complexity of the assurance engagement:

See Appendix A for a list of factors that contribute to the audit complexity and would lead to the need for specific competencies and capabilities in the engagement. Generally the combination of a number of factors would indicate increasing complexity in the engagement.

|  |
| --- |
| **Record the factors contributing to the complexity of this engagement** |
|  |

# Document the current resources available for the engagement

|  |  |
| --- | --- |
| **Resources** | **Response** |
| **Engagement Team[[1]](#footnote-1):** |  |
| **PX**  **DX(s)**  **AP3(s)**  **Others[[2]](#footnote-2)** *[including internal or external specialists who perform procedures on this engagement or other key members of the team who will supervise/review the work of less experienced members of the team]* |  |
| **Other Planned Resources:** |  |
| **Internal Specialists2**  *[to be used as consultation resources]* |  |
| **External Specialists2**  *[to be used as consultation resources]* |  |
| **Budgeted Hours** |  |

# Assess the competencies, capabilities, resources and time of the engagement team and strategies to mitigate existing gaps

The engagement team competency profile and assessment of resources and time, should demonstrate:

1. How, as a group, the engagement team collectively possesses the competencies and capabilities, including sufficient time, to perform the engagement in accordance with professional standards and applicable legislation; and
2. Whether there are sufficient hours and contract dollars available to perform the engagement and meet the reporting deadline.

|  |
| --- |
| **Record the assessment of engagement team competencies and capabilities** |
| **3 a) Describe how the engagement team, as a collective, addresses the complexities identified in Step 1.**  **Identify any gaps in competencies and capabilities** |

Please refer to the following list of considerations for assessing engagement team competencies and capabilities (CAS 220.A72):

* Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
* Understanding of professional standards and applicable legal and regulatory requirements.
* Expertise in specialized areas of accounting or auditing.
* Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the audit engagement.
* Knowledge of relevant industries in which the entity being audited operates.
* Ability to exercise professional skepticism and professional judgment.
* Understanding of the Office's policies or procedures.

You may also wish to include other elements such as:

* Continuity in staffing across audit phases and from prior years
* Team members bilingual capability
* The PX’s (engagement leader) availability (e.g. has not been assigned other extensive responsibilities)

|  |
| --- |
| **Record the assessment of engagement team resources and time** |
| **3 b) Assess whether the assurance engagement has sufficient resources and time available to perform the engagement and meet the reporting deadline.**  **Identify any gaps in available resources and time.** |

|  |
| --- |
| **Record the strategies to mitigate gaps in engagement team competencies, capabilities, resources and time** |
| **3 c) Describe strategy to mitigate the gaps to ensure the engagement team has the collective competencies, capabilities, resources and time.** |

Consider the following **strategies (CAS 220.A78):**

* Changing the planned approach to the nature, timing and extent of direction, supervision and review
* Discussing an extension to reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation
* Following the firm's policies or procedures for resolving differences of opinion if the engagement partner does not obtain the necessary resources for the audit engagement
* Specialized training for team or individual team members
* Consultation with [OAG Internal Specialists](http://cmsprd.oag-bvg.gc.ca/intranet/audit/4389_ENC_HTML_PROD.shtm)
* Contracting for consultation with external expertise
* Use of external specialists to perform audit steps

# Affirmation

I have assessed the resources, competencies, capabilities and time of the engagement team. I am satisfied that sufficient and appropriate resources are assigned to perform the engagement or are made available to the engagement team in a timely manner. I am also satisfied that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. I took appropriate action when resources assigned or made available were insufficient or inappropriate

The Engagement Leader should sign off on this document and the related procedure in the audit file.

# Appendix A: Factors that contribute to engagement complexities (OAG Audit 1081)

* the accountability relationship of the entity, the importance of its mandate and the degree to which the entity or program is visible in the public eye;
* the political sensitivity including recent parliamentary interest in the entity or the subject matter of the assurance engagement;
* the size of the entity or program, the number of entities scoped into the assurance engagement, or the Office’s past experience reporting on the subject matter of the engagement;
* the Office’s reporting responsibility for the assurance engagement, including joint-audit engagements, whereby the Office signs an opinion or issues a report together with a public accounting firm or another legislative audit office;
* the nature of the entity’s operations, such as the existence of very complex and specialized transactions or issues that require significant professional judgment to evaluate;
* the results of the assessment of engagement risk performed by the engagement team, including the acceptance and continuance risk assessment;
* the extent of professional judgment and expertise required by the engagement team in order to assess management’s significant judgments and estimates and management’s assessment of significant risks and key measures of performance;
* the composition of the engagement team, such as a newly appointed audit principal, significant turnover in the engagement team, or the team’s limited experience with the objectives or subject matter of the engagement;
* is an international engagement;
* recent history of difficult or contentious engagement issues, including disagreements with management, negative conclusions in previous reports, and reservations in previous opinions and reports;
* uncertainty about the entity's ability to continue operating as a going concern or to deliver its mandate;
* any other specified risk factors, such as known and potential threats to the Office’s independence;
* the engagement has recently resulted in a modified opinion;
* significant prior period errors are being identified on a recurring basis;
* potential for fraud;
* significant economic, accounting or other developments that require specific attention;
* significant transactions with related parties;
* degree of subjectivity in the measurement of financial information related to risk, especially those measurements involving a wide range of measurement uncertainty; and
* significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

1. The engagement team is considered to be:

   * each member of the Office performing the assurance engagement;
   * each contractor performing the assurance engagement, but does not include an external expert possessing skills, knowledge and experience in a field other than accounting or auditing whose work in that field is used to assist the member or firm in obtaining sufficient appropriate evidence;
   * all other members of the Office who can directly influence the outcome of the assurance engagement, including
   1. those who recommend the compensation of, or who provide direct supervisory, management or other oversight of, the assurance engagement leader in connection with the performance of the assurance engagement;
   2. those who provide consultation regarding technical or industry-specific issues, transactions or events for the assurance team; and
   3. those who provide quality management for the assurance engagement; and
   * all other persons in the Office or external to the Office who can directly influence the outcome of the assurance engagement.

   [↑](#footnote-ref-1)
2. Annual Audits are to include “auditor’s experts” in the listing of Other Planned Resources above. [↑](#footnote-ref-2)